Y4.Ed 8/1:99-75

JOB TRAINING PARTNERSHIP ACT

COMPLETED

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

HEARING HELD IN LOWELL, MA, ON FEBRUARY 3, 1986

Serial No. 99-75

Printed for the use of the Committee on Education and Labor

ORIGINAL

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1986

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JOB TRAINING PARTNERSHIP ACT

MONDAY FEBRUARY 3, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
COMMITTEE ON EDUCATION AND LABOR,
Lowell, MA.

The subcommittee met, pursuant to notice, at 9:50 a.m., in the City Council Chambers, City Hall, Lowell, MA, Hon. Matthew G. Martinez (chairman of the subcommittee) presiding.

Members present: Representatives Martinez and Atkins.

Staff present: Eric Jensen, staff director; Bruce Packard, legislative assistant; Charles Ulrich, staff assistant; and Beth Buehlmann, education staff director.

Mr. MARTINEZ. We are now calling this meeting to order.

This hearing is being held at the request of my colleague and member of this subcommittee, the Honorable Chester Atkins. Congressman Atkins is a valued member of this subcommittee and the full Committee on Education and Labor.

We are conducting this hearing in Mr. Atkins' district to receive testimony on how JTPA is working in the State of Massachusetts and how the business community perceives and receives the JTPA Program. We would also like to hear from the witnesses how we in Congress may improve the program to better serve and reach the people it was created to help.

Members of this subcommittee and the full committee are troubled by the persistent attitude of policymakers in the present administration who are opposed to the concept of job training programs on the basis that they are welfare programs and a waste of Federal dollars. They feel that job training is the responsibility of the private sector, and to some extent that is true; But the private sector cannot do it alone, without help and policy from the Federal Government.

We are opposed to such baseless perceptions, and with testimony and evidence gathered at this and other hearings we hope to counteract those perceptions.

Many of us believe that in recent years the preoccupation with foreign policy and communism has caused Congress and the administration to ignore domestic and trade policy as they relate to employment and productivity. The great economic recovery of the present administration has not yet reached the 17 to 20 million people either out of work or only working part-time, and a 7-percent unemployment figure doesn't reflect across-the-board prosperity.

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Although this country is facing high unemployment and losses of jobs due to foreign trade competition, little has been done to prepare the working population for the transition that must be made into a new era of high tech industry. To the contrary, the administration has undermined programs that help unemployed workers make that transition. By cutting 55 percent of the Dislocated Worker Program, they hurt the people trying to provide job readjustment service to those who most desperately need it.

The job training programs administered under the JTPA and WIN Programs have been shown to be cost beneficial. For each dollar spent, business and Government receives at least that much in return. Formerly nonproductive citizens are helped to become revenue producing workers, enabling us to achieve a society we are all seeking, one in which all who are willing to work can find meaningful employment and are trained and educated for it.

The State of Massachusetts has been a leader in forging linkages between policy and economic objectives among State, Federal, and local governments, the private sector, and educational systems. You are to be commended for your achievements. In the job training community, Massachusetts should be offered as a model which other States could strive to emulate.

As chairman of this subcommittee, I am aware of the concerns which you, and other jurisdictions, have expressed about some of the shortcomings of the JTPA system. While the system has been effective, more can come from it. I can assure you that I am looking at specific proposals which address your concerns, including that of the substate allocation problem.

With that, I will reiterate my appreciation for the hospitality which you have shown me, and will turn to my subcommittee colleague from the Fifth District of Massachusetts for comments.

Mr. Atkins.

Mr. ATKINS. Thank you, Mr. Chairman.

You honor us by your presence here, and I believe that the testimony that you will hear today, together with your visit and your time spent in Lowell, will be an eloquent tribute to the tremendous success of this Job Training and Partnership Act.

I would particularly like to thank Mayor Kennedy—is he here or is he in the other room—for his hospitality and putting his council chamber at our service for the morning.

The Job Training and Partnership Act is, sadly enough, the Federal Government's only program reaching out to the unemployed, the unskilled, the displaced, or the educationally disadvantaged worker. Fortunately, it is administered at the State and local level by aggressive and enthusiastic officials and is under the direction of local business communities.

In Massachusetts, the JTPA has been combined with the State's Education and Training Choices program, the Bay State Skills Program, and MASSJOBS to form a highly successful campaign against welfare dependency. With a relatively modest investment, the State and the Federal Government has reaped generous dividends. The testimony we will hear today will, I believe, describe these dividends in detail.

Mr. Chairman, we have all read of the President's intention to call, in his State of the Union speech tomorrow evening, for a year-

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long national study on welfare programs. I suggest that he look here in Massachusetts at the aggressive leadership in these jobs programs and what we have been able to do to reduce welfare dependency more than any other State in the country.

Across the nation, approximately 1.5 million workers have participated in one of the JTPA's education and training programs. If we could estimate the program's value for these workers, their communities and the State, defending the program's budget would be relatively easy. But it is difficult to measure the difference between a lifetime of hopelessness and dependency and one where work has become the foundation for a stable family and where that family is not forced to do without basic necessities.

Some studies have been performed on similar programs. The WIN program and Job Corps, for example, are estimated to produce more than $1.30 in new tax revenue for each Federal tax dollar invested. But, to date, we have no such numbers on the JTPA. We can say, Mr. Chairman, that here in Massachusetts a combination of the Job Training and Partnership Act, Employment and Training Program, MASSJOBS, and Bay State Skills has created a situation where we have provided a tremendous boost to our private sector economy and, at the same time, have greatly reduced our public sector costs. And, as a result, we have, I think, the healthiest State economy in the country.

And, certainly, in addition to our high technology industries, and our higher education institutions, our jobs programs are part of what I would call a triumvirate for economic growth.

The President will submit his fiscal year 1987 budget to Congress this week. We don't have his program numbers yet, but we can anticipate that they will not be encouraging.

I think that this hearing should give us an opportunity to build a case that, as we look for strategies to reduce the Federal budget deficit, the kind of investment that JTPA represents in taking people out of dependency and into productive employment, is the kind of program that should help us meet our Gramm-Rudman deficit reduction targets.

Also, Mr. Chairman, as you mentioned in your opening remarks, we have a particular problem here in Massachusetts because, under the present formula for the program, we are penalized by our own success. The more successful our program is, the more people we place in jobs, the lower the unemployment rate, the less Federal money that we have available to us, and that is something I know has been of great concern to you.

I hope some of our witnesses will have an opportunity to address that.

Mr. MARTINEZ. Thank you, Mr. Atkins.

This is something that we have heard repeatedly, not only from Massachusetts but from other States, in listening to their comments on JTPA. It is becoming more and more apparent that legislation should be introduced that would attempt to deal with that problem.

Your program is a very good one, and should not be penalized for success. Those of us who have experienced it know that training and education can create generations of productive human beings but poverty and despair produces generations of welfare recipients.

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We have to convince those people in the administration that don't have the foresight to see that this is a program which would help our country.

With that, I would like to invite Mr. Alviani, Ms. McCormack and Ms. Stratton to the front to give their testimony.

Mr. ATKINS. Mr. Chairman, it gives me particular pleasure to introduce Joe Alviani, who is our new Secretary of Economic Affairs. He comes from a distinguished background in the private sector, in the quasi-private sector, I guess, with a public interest group. And I believe this is his first official visit to the city of Lowell, and we welcome him here to the city that exemplifies the Massachusetts economic miracle.

Mr. MARTINEZ. Mr. Alviani.

STATEMENT OF JOSEPH D. ALVIANI, SECRETARY OF ECONOMIC AFFAIRS, COMMONWEALTH OF MASSACHUSETTS; CATHERINE N. STRATTON, ASSOCIATE SECRETARY OF ECONOMIC AFFAIRS, MASSACHUSETTS OFFICE OF TRAINING AND EMPLOYMENT POLICY

Mr. ALVIANI. It is a pleasure for me to be here, certainly to welcome you here on behalf of the Governor, and urge you to enjoy and take cognizance of what you learn in Massachusetts.

It is also a pleasure because this is like coming home again. The precursor of this subcommittee was the Select Subcommittee on Labor, of which I was cocounsel in 1973 during deliberations on the Comprehensive Training and Employment Act.

Over the past 3 years, the employment and training system in Massachusetts has made considerable progress, becoming more focused, flexible and coordinated.

During the same 3 years, a partnership between private enterprise and State government established the foundation for Massachusetts' economic revitalization. Since 1983, we have experienced the creation of over 300,000 new jobs. We have watched, in amazement, as our unemployment rate dramatically declined from 6.9 percent in 1983 to today's astonishingly low 3.9 percent. Per capita income is growing faster in Massachusetts than in any other State.

Looking ahead, we anticipate that in the next 18 months another 125,000 new jobs will be created. We already have more people working in Massachusetts than at any other time in our State's history. Technically, we are a full employment economy today. Our work force is employed in diverse fields—traditional manufacturing, high technology manufacturing, the service sector, retail trade, financial services, agriculture, tourism, education, and many more. That diversity is the strength of our economy.

In short, our economy, in overdrive, is the envy of the Nation. So, too, we have found our Job Training Partnership Act Program is the envy of other States. Job training and employment specialists have traveled from all over the country to Massachusetts to learn more about our approach to the administration of the Job Training Partnership Act Program. Because of the Commonwealth's regional economic diversity, we have carefully balanced local planning and State coordination of the employment and train-

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ing system. We are honored by the committee's presence today in Lowell and hope that you will profit from your trip here.

Our unique economic experience in Massachusetts is cause for celebration, but we are also very aware of the fragile nature of any economy, of the uneven path of development, and of chronic unemployment and underemployment in some population sectors.

Under the leadership of Governor Dukakis, we have taken care, not only to target specific geographic areas of the State which deserve special assistance, our so-called targets of opportunity, but also to target specific occupational fields which will require an expanded and well-trained labor force in the near future, that is, the fuel which drives any economy, as well.

The JTPA Program has been a critical factor in Massachusetts' ability to develop innovative job training and skills training programs. We have used State resources extensively to enhance and supplement the opportunities provided by JTPA.

Our strong State commitment has resulted in a more focused, performance-based employment and training system. These program improvements have thus resulted in job placements for over 100,000 welfare recipients and other disadvantaged people in the past 3 years. The most successful of these efforts have combined interagency cooperation with a focus on addressing the particular needs of a changing labor market, and the particular needs of both the client and consumer populations.

The ET Choices Program, for example, administered by the Department of Public Welfare, with services provided by the Division of Employment Security, the JTPA Job Training Network and the Education System, has placed 23,000 welfare recipients in jobs since October 1983. Most of these are private, unsubsidized jobs.

Our industrial services program is the Commonwealth's response to the problem of plant closings, especially in the mature manufacturing industries. Since its inception in fiscal year 1984, the ISP has helped over 5,000 dislocated workers find new jobs.

These two initiatives share several attributes that can serve as a model for other State-sponsored initiatives.

Each has been able to organize a diverse group of existing employment and training programs into a coherent structure and make them accountable for performance.

Each has a strong client-centered focus. A lead agency develops an individualized special plan for each client and then directs the client to the appropriate basic education, job training, or job placement program, and in the case of ET, to appropriate support services.

Consider our expenditures in this area. The Commonwealth provides over $1 billion per year in State aid to local school districts. We maintain a fine higher education network including 15 community colleges and 12 4-year institutions. Since 1983, we have invested $6 billion in developing human capital.

The Governor's fiscal year 1987 budget, submitted 2 weeks ago to the legislature, calls for increasing expenditures in the very areas we are concerned with today: For education and job training initiatives to serve the State's most disadvantaged populations.

An additional $16 million will directly serve the 1 million adults in Massachusetts who have not completed high school; and the 30

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to 50 percent of dislocated workers who lack basic literacy skills and, as a result, face a serious barrier to retraining and employment. The literacy gap is clearly the most serious barrier to opportunity in an economy where over 80 percent of the jobs require at least a high school diploma. This number is up from 66 percent in 1970.

How will we spend those extra $16 million? On literacy, prevocational and vocational training; on college scholarships for working people returning to school on a part-time basis; on our already successful ET Choices Program for welfare recipients who need extra help to become employable; on remedial programs at community colleges to help older students prepare for employment; and on community-based minority job centers in three of our major cities.

Massachusetts is doing its part to enhance and supplement Federal job training dollars on the local level. We are maximizing and stretching those Federal dollars and providing needed flexibility with custom-tailored programs designed to meet the real needs of some of our most disadvantaged and hard-to-serve clients. We are, in fact, making those Federal dollars more effective by making sure that we do all we can by making our citizens as capable as possible to capitalize on JTPA opportunities.

It has been the private industry councils, with their representation from the local business, education, and labor communities, which have been able to determine best local employment training needs.

The PICs' role in Massachusetts is evolving beyond JTPA. For example, in Boston, the local PIC's have proven to be a highly responsive and responsible force in establishing employment and training policy across the city. The PIC received national attention for its landmark treatment between itself and the Boston public school system.

In other areas of Massachusetts, other PIC's have chosen to implement a variety of programs to meet the needs of the unemployed or underemployed citizens in their service delivery areas.

We have many, many examples of creative programs which effectively target minorities, displaced homemakers, displaced workers laid off in job plant closings, teenaged parents and older workers.

One of the greatest barriers that continues to exist for employment and training programs is available and affordable child care. While JTPA is severely limited in the area of supportive services in Massachusetts, some PIC's are taking the initiative, providing child care facilities on site for clients who need them.

I am certain you will be impressed by the variety and scope of the programs in Massachusetts as you hear about them in later testimony. In every community, we find the PIC has access to the best information regarding local employment trends and opportunities, both in the near- and long-term.

As you can see, Massachusetts has been able to take advantage of the flexible programmatic framework created by JTPA. The resulting cooperation between business, labor, education, and local community organizations has greatly contributed to this State's ability to make individuals, previously excluded from the economy, active participants in it. As Massachusetts moves further in the direction of a knowledge-based economy, the ability to train and re-

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train and educate and reeducate our citizens becomes the critical element in our growth.

Yet, despite the fact that we have developed this strong employment and training system, it appears that Federal funding will be drastically reduced for JTPA, particularly in titles II and III, which are critical to this State's continued economic prosperity. Title III serves the State's dislocated workers, and in conjunction with our newly created mature industries program, we have developed a sophisticated, well-thought-out reemployment plan for workers who, through no fault of their own, lose their jobs in a major plant closing.

This is the same State which saw a single plant, General Dynamics in Quincy, shut down a shipyard, throwing 6,000 people out of work. Title III moneys are a necessity to cope with a crisis of that magnitude. Yet, we face a 73-percent cut in title III in the next year alone. Surely, Massachusetts is not the only State facing major dislocations of workers. Other cuts we anticipate: A 15-percent cut in title II–A and a 52-percent cut in title II–B.

Although the Commonwealth has anticipated some cuts and therefore planned to increase State appropriations, cuts of this magnitude will seriously disrupt our employment and training initiatives. It deprives us of the essential base which has allowed our success at the margins with experimental and flexible programs.

The Massachusetts experience has demonstrated that our most valuable resource is our highly skilled and motivated work force. To radically decrease our investment in our human capital is folly.

Mr. Chairman and members of the committee, I hope that the committee recognizes that JTPA, as administered in our State, is both cost-effective and is meeting the needs of our labor force and our business community.

The flexibility of the framework of JTPA has allowed us to design and implement programs of which we are very proud. We have blended local and State resources with strong private sector initiatives.

Rather than duplicating programs and services, JTPA has allowed us to coordinate and consolidate a vast array of employment, training and educational services.

While JTPA has many constraints, including its limited funding for supportive services, it is an effective vehicle for economic and human resource development in Massachusetts.

Mr. MARTINEZ. Thank you, Mr. Alviani.

We will hear from the other two panelists first, and I am sure you will stay for questions.

Ms. Stratton.

Ms. STRATTON. Thank you, Mr. Chairman.

I am delighted to be here this morning to share a little of what is going on in Massachusetts. Secretary Alviani spoke of the Commonwealth's commitment to building a comprehensive employment and training system. We believe Massachusetts has a special responsibility in this regard. Our economic prosperity created a window, a real opportunity to make inroads in the persistent problems of poverty and unemployment.

Our tight labor markets throughout the State have begun to compel employers to examine traditional entry criteria and work-

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place practices. Today, with the right education and training, minorities, new immigrants, high school dropouts, welfare recipients, and handicapped people have a unique shot at gaining good jobs and financial independence.

In order to capitalize on this opportunity, we have set a goal to create a decentralized full service system that provides education, training or a job to every man or woman who wants to work. We are devising a one-stop system that is easily accessible to both the job seeker and employer, a flexible system that meets the special needs of Massachusetts and is not simply a by-product of Federal legislation.

It is an ambitious goal, particularly since it requires rationalizing, perhaps even restructuring, a delivery system that is currently composed of more than a dozen different agencies operating independent, narrowly targeted education and training programs.

As in most States, 20 years of piecemeal legislation and crisis management have left us with a crazy quilt of programs and services. The result can be a bewildering maze of entry points, eligibility requirements and bureaucratic hop-scotch.

But we think using the basic JTPA infrastructure, we can begin to build a new system that we are calling MASSJOBS. Let me outline some of the progress that we have made over the past year or so and underscore Secretary Alviani's comments suggesting why I believe that further withdrawal of Federal funds will not result simply in smaller programs but perhaps in the real dismantlement of the partnership that has begun to emerge after two decades of false starts in the job training business.

The keystone of the MASSJOBS system is the Private Industry Council, which now acts as a board of directors for both the service delivery area and the private employment service.

The PIC sets overall policy, allocates resources, establishes performance goals and measures the outcomes and quality of services administered by the local ES office and the SDA.

In addition to these core activities, Massachusetts oversees $15 million of additional funds that currently include the ET choices money, federally funded refugee employment projects, State-financed dislocated worker programs, as well, in many cases, as corporate and foundational grants.

This year, for the first time, the 2-year job training plan will incorporate all of these grants into a single consolidated document giving private industry councils shape and a coherent, unified local service strategy.

During the coming years, we anticipate that PIC's will begin to evolve into strong regional labor market boards with the ability to organize a broad range of public and private resources that meets the full spectrum of needs in their area.

Throughout the State, PIC's have already begun to adopt charters that go well beyond the narrow bounds of job training. School reform, corporate day care, transportation, housing, local economic development and adult literacy are subjects of interest to every council.

To sharpen the planning, evaluation, mediation, and fund-raising skills of Massachusetts PIC's, we are now undertaking a major capacity-building project, supported by grants from the German-Mar-

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shall Fund, the Boston Foundation, the State Street Bank, and IBM.

To give PIC's legitimacy, continuity and financial stability, legislation has been filed which will codify them in Massachusetts law and make PIC's the presumptive oversight body for all future training and employment programs in the Commonwealth.

I believe our longer term commitment to building a comprehensive system is best seen in the series of interagency agreements which represents the basic building blocks of the MASSJOBS scheme.

Welfare, refugee, employment service, and State dislocated worker funds now flow through our system and allow the SDA's to broaden their eligibility criteria, serve many more people, and offer a richer, more diverse set of activities than would be possible using only JTPA funds.

Our goal for the next 2 years will be to negotiate additional agreements with the Mass Rehabilitation Commission, vocational education and our community colleges.

Coupled with a modest infusion of flexible State funds and with greater corporate contributions, collectively these agreements should result in one-stop shopping for any Massachusetts resident that needs remediation, training, retraining, skill upgrading, or job placement.

If we are successful in this enterprise, the MASSJOB door will open to a logical sequence of services that begins with basic literacy and continues through skills training and OJT to the more technical offerings of our community colleges.

Backed first by an online MIS that can inventory the pertinent details of every course and service available in a community, and second by a case management system that ensures a smooth flow of clients among contractors and services, we believe MASSJOBS holds the promise for fundamental reform of the job training system.

This is our vision for the future. We recognize, as with any institutional change, it will take time, tenacity, trust, and thoughtful planning. It will take a major campaign to persuade the business community that education and work force training are pivotal to productivity, and demand a new order of corporate investment in human capital. It will take careful nurturing of a partnership that balances private efficiency with public accountability.

It will require a sustained commitment to staff development and board training to achieve a level of professional expertise and credibility which merits the confident investment of our institutional partners.

And, finally, it will require the adoption of a U.S. employment policy that articulates a national investment in our labor force and the commensurate commitment of Federal resources. Without both leadership and material support for our employment and training system today, this country will pay the price in welfare costs tomorrow.

Thank you.

[Prepared statement of Catherine Stratton follows:]

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PREPARED STATEMENT OF CATHERINE N. STRATTON, ASSOCIATE SECRETARY OF ECONOMIC AFFAIRS, MASSACHUSETTS OFFICE OF TRAINING AND EMPLOYMENT POLICY

Good morning. My name is Catherine Stratton and as associate secretary of economic affairs I am responsible for the administration of JTPA in Massachusetts.

Secretary Alviani referred to the Commonwealth's long term commitment to building a comprehensive training and employment system that will continue to fuel the State's economic growth while extending prosperity to our residents.

In Massachusetts our goal is to create a decentralized, full service system that provides education, training or a job to every man or woman who wants to work:

A one-stop system that is easily accessible to both job seeker and employer;

A flexible system that meets the special needs of Massachusetts, unconstrained by the categorical limitations of Federal legislation.

It is an ambitious goal, particularly since it requires rationalizing, perhaps even restructuring, a delivery system that is currently composed of more than a dozen different agencies operating independent, narrowly targeted education and training programs.

As in most States, the 20 year legacy of piecemeal legislation and crisis management has left us with a crazy quilt of programs and services. To clients and business, the result is a bewildering—often intimidating—maze of entry points, eligibility requirements and bureaucratic hop-scotch.

But, using JTPA as the basic infrastructure, we have begun to build a new system that we call "Massjobs". Let me briefly outline some of the progress that has already been made and—undescoring Secretary Alviani's comments—suggest why I believe further withdrawal of Federal funds will not result simply in a smaller program—but in the destruction of the fragile partnership which is finally emerging after two decades of false starts in the job training business.

The keystone of the Massjobs system is the private industry council which now acts as a board of directors for both the SDA and the employment service.

The PIC sets overall policy, allocates resources, establishes performance goals and measures the outcomes and quality of services administered by the SDA and local ES office.

In addition to these core activities, Massachusetts' PICS oversee almost $15 million dollars of additional funds that currently include the WIN demonstration program, federally-funded refugee employment projects, State-financed training for dislocated workers, and all of the Governor's discretionary JTPA funds as well as corporate and foundation grants.

This year, for the first time, the 2 year job training plan will incorporate all of these grants into a single consolidated document, giving the PICS a powerful tool with which to shape a coherent, unified local service strategy.

During the coming years, we anticipate that the PICS will continue to evolve into strong regional labor market boards, with the ability to organize a broad range of public and private resources into a comprehensive employment and training system that meets the full spectrum of job seeker and employer needs in their area.

Thoughout the State, PICS have already adopted charters that go well beyond the narrow bounds of job training. School reform, corporate day care, transportation, housing, local economic development and adult literacy are subjects of interest to every council.

To sharpen the planning, evaluation, mediation and fundraising skills of Massachusetts PICS, we are now undertaking a major capacity-building project, supported by grants from the German-Marshall fund, the Boston Foundation, the State Street Bank and IBM.

To give PICS legitimacy, continuity and financial stability, legislation has been filed which will codify them in Massachusetts law and make PICS the presumptive oversight body for all future training and employment programs in the commonwealth.

I believe our longer term commitment to building a comprehensive system is best seen in the series of interagency agreements which represents the basic building blocks of the Massjobs scheme.

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Coupled with a modest infusion of flexible State funds and with greater corporate contributions, collectively these agreements should result in one stop-shopping for

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any Massachusetts resident that needs remediation, training, re-training, skill upgrading or job placement.

If we are successful in this enterprise, the Massjob door will open to a logical sequence of services that begins with basic literacy and continues through skills training and OJT to the more technical offerings of our community colleges.

Backed first, by an on-line MIS that can inventory the pertinent details of every course and service available in a community and second, by a case-management system that insures a smooth flow of clients among contractors and services, we believe Massjobs holds the promise for fundamental reform of the job training system.

This is our vision for the future. We recognize, as with any institutional change, it will take time, tenacity, trust and thoughtful planning.

It will take a major campaign to persuade the business community that education and workforce training are pivotal to productivity—and demand a new order of corporate investment in human capital.

It will take careful nurturing of a partnership that balances private efficiency with public accountability.

It will require a sustained commitment to staff development and board training to achieve a level of professional expertise and credibility which merits the confident investment of our institutional partners.

And finally, it will require the adoption of a United States employment policy that articulates a national investment in our labor force and the commensurate commitment of Federal resources. Without both leadership and material support for our employment and training system today, this country will pay the price in welfare costs tomorrow.

Mr. MARTINEZ. Thank you, Ms. Stratton.

Ms. McCormack.

STATEMENT OF KRISTEN J. McCORMACK, DIRECTOR, MAYOR'S OFFICE OF JOBS AND COMMUNITY SERVICES, CITY OF BOSTON, MA

Ms. MCCORMACK. Chairman Martinez, Representative Atkins, I appreciate your invitation to testify today.

One of the purposes of the hearing today, according to your invitation, is "to receive testimony on the JTPA Program, how the program is working and how it may be improved."

While I can tell you in Boston the program is working exceptionally well under the leadership of the mayor and the president of the PIC Board, the Boston Compact and Boston Works have both proven to be very effective employment models. Like any program, JTPA can be improved in a variety of ways. But, given that I am trying to keep my testimony to 5 minutes, as requested, I would like to focus on another purpose of the hearing: "The subcommittee would appreciate hearing about how budget and allocation changes are impacting on State and local programs."

Of course, you realize that the impact is so great here that it practically renders the first purpose of this hearing meaningless. There are two JTPA budget issues I would like to bring to your attention today, and that, in fact, dim the hope of economic self-sufficiency for thousands of poor Boston residents.

The first is the Gramm-Rudman amendment, and the second is the substate allocation formula.

When voting for Gramm-Rudman, many Members of Congress no doubt thought it was a conscientious vote to cut the deficit and that it represented only a 4.3-percent cut in programs. Well, in Boston it means more than that, because job training funds have taken more than their fair share of cuts for the last 5 years.

In 1980, Boston received $65 million for job training. Today, we receive $6.6 million. The combination of Gramm-Rudman and the

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effect of the substate allocation formula represents not a 4.3-percent cut in Boston, but a 21-percent cut in job training funds for Boston as of July 1, 1986. This cut roughly translates into 554 poor women, minorities, and young people who will remain on the unemployment and welfare rolls.

The substate allocation formula doesn't take into consideration the number of discouraged workers in a community, the cost of living or the number of underemployed persons—those working but still living in poverty. In Boston, where the cost of housing rose 37 percent this year—the highest in the Nation—the current formula discriminates against the need here. Boston would suffer less if the House of Representatives would propose and support a 90-percent hold harmless amendment to the JTPA law. This, in effect, would mean that Boston's job training funds would be cut by 14.3 percent instead of 21 percent, still a significant cut.

Another reason congressional leaders allowed themselves to vote for Gramm-Rudman could be they thought that programs for the truly needy were truly protected. But they are not. The city of Boston has invested its community development block grant funds in job training, adult literacy and support services like day care. But the block grant will suffer a 31-percent cut if the administration's current proposal for a 16-percent deferral succeeds.

And Boston loses more than just its Federal funds. It loses the multiplier effect of that money in partnership with the private sector.

We are proud of the investment Boston's business community has made in our job training programs. But, while we build partnerships with the private sector, our elected officials cannot promote the dismantling of the historical partnership between the Federal Government and the cities.

Maybe our Democratic Representatives who voted for Gramm-Rudman thought it would be a lot safer to be in the middle of the road. But, as Jim Hightower's Texas farmer friend told him, "Jim, there ain't nothin' in the middle of the road but yellow lines and dead armadillos."

The city of Boston calls on the Democratic leadership in Congress to remember its commonsense politics, to protect and expand funds for job training, because Gramm-Rudman represents the loss of commonsense economics, of investing in people and the American work ethic.

In 1986, will our Federal Government pay $2,500 to train a poor, illiterate AFDC mother as a medical secretary or continue to pay $5,000 year after year to keep a woman and her children in poverty? The choice is yours to make.

Thank you.

Mr. MARTINEZ. I have a question I would like the two of you to respond to first, and then Mr. Alviani. In Congress we have started debate on what is the best way to take care of problems with a particular piece of legislation like JTPA, what is the fastest way, and who should have the authority to do it.

I know one of the things that will to be debated is whether we should set in place, and for how many years, the hold harmless substate provision. There are going to be those who say that discre-

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tion for implementation should be left up to the Governor because all States are different.

Would either of you feel comfortable with the Governor having such discretion, or would you prefer to see a definite formula set in place in the law over which the Governor has no control?

Ms. MCCORMACK. We would like to see the law changed permanently for the 90-percent hold harmless.

Ms. STRATTON. I think our situation in Massachusetts would be so extreme it would be delighted by either thing. I would think over the long run, however, if we are going to have a kind of stability our system is going to require, I think I would endorse the 90-percent hold harmless across the board.

Mr. MARTINEZ. Mr. Alviani, how does the Governor's office feel about this, and how does your office feel?

Mr. ALVIANI. Given the kinds of progress that we have been able to make with respect to how the partnership is now working, it would be foolhardy not to provide some mechanism which would hold that partnership harmless. So, my point of view is I think we would be supportive of the 90 percent hold harmless.

Mr. MARTINEZ. One of the other problems with this is how the moneys are allocated based on a formula where two-thirds of the formula comes from statistical data on the unemployment rate, which are not always accurate. You are penalized when you do a job of putting people to work and getting them off the unemployment rolls.

I found in some of my travels, especially in the Virgin Islands, that the official unemployment rate is inaccurate. But the unemployment rate is compiled by the Federal Department of Labor and they do it on a set basis.

I am beginning to believe that most jurisdictions know how many citizens that are eligible for work reside in their jurisdictions. They also know how many jobs are being held from Social Security reports, et cetera, so they can pretty much determine what the real unemployment rate is. But nobody ever does that.

Now, do these jurisdictions have information that they could come out with on what their true unemployment rates are?

Ms. STRATTON. I don't have an answer to that. All of our data is collected and analyzed by the employment service. I think there has been traditionally an undercount, particularly in the inner cities and the most poor. But the greater problem with the formula is that two-thirds is on unemployment as opposed to poverty.

In the State of Massachusetts, clearly the issue is poverty. We have many, many working poor, people in dead-end, low-paying jobs without the literacy, the skills to allow them ever to progress. And we are at this time, because of regulations, not allowed to serve them.

So I think, one, there is a problem of JTPA, but the formula does not reflect the real problem in this country.

Mr. MARTINEZ. I don't think there was ever any doubt in the minds of the people making up JTPA, to begin with, that it was intended to benefit the needy. But contradictions can take place when you have to have a formula to determine how the money is allocated. And the formula became based, to a large degree, on the

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unemployment rate, which I have never had that much confidence in.

I think we ought to consider changes in that part of the formula, to begin with. But getting back to your statements, do you feel a need to change the formula by deemphasizing the unemployment rate?

Ms. STRATTON. I would recommend that not more than 50 percent of the formula be based on unemployment.

Mr. ALVIANI. All I can say, Mr. Chairman, is I recall having the Labor Department do the runs on the CETA allocations in 1973. In 2 weeks, we had 200 computer runs just to see how various formulas would affect various jurisdictions throughout the country. I think there has to be a change in the formula.

I have never been comfortable with the kind of emphasis which has been given to unemployment in the formulation of those allocations.

Ms. MCCORMACK. I concur with Kay and Joe. For instance, in Boston we know that the number of individuals in poverty in 1980 was 106,800, and in 1985 that has risen to 125,632. And, in fact, the overall percentage of people in poverty has risen. That is not equally reflected in that formula because of the unemployment number skewing. And I would say that not more than 50 percent of the formula should include numbers around unemployment.

And I think if there was a way to count underemployment, that would be very important, because a number of people in the work force now earning the minimum wage—we have over 50 percent of Boston's working families earning the lower living standard, $12,400 for a family of four. Those people work in the service industry, in the hotels, and laundry rooms. Without retraining and upgrading, those people will never leave poverty. And yet, they are not eligible now for JTPA.

Mr. MARTINEZ. The same situation exists all over the country. People are underemployed, and living way below the poverty level. They live in extremely difficult circumstances, and yet they have a very low unemployment rate.

In light of the allocation problem that you are experiencing here, can you describe how fund shifts occur in Massachusetts with regard to the relative standing of the SDA's in the State, Ms. Stratton?

Ms. STRATTON. I think it will result in Draconian cuts in at least four of our areas. Worcester is, I believe, losing something like 38 percent of their money. Boston is losing 20 percent. Cambridge will lose 32 percent.

There are only three SDA's that will gain, and two of those SDA's are underexpending right now. So it reflects a problem we have. I think then 12 will lose.

I think the result is not only going to be, as Kristen indicated, serving fewer people, but real dislocation of services. They are going to be community agencies that I think will go under, and I think we are jeopardizing the basic infrastructure.

I think you have to look at this in context. We are, having been cut at least 10 percent for the last 4 years, at a threshold point. And I think that Gramm-Rudman will actually do in some SDA's. I don't think that they can survive. They don't have the basic admin-

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istrative funds to cover their operations. They can't plan or market, do the kind of evaluation that makes our programs accountable and provides quality service without a base.

Mr. MARTINEZ. I am going to defer at this time to Mr. Atkins. He has specific questions to ask in that regard. But before I do, I would like to say that I didn't vote for Gramm-Rudman.

I didn't vote for it because I have heard testimony in other committees that showed the Pentagon has a $40 billion slush fund. Since the amount of money Congress needs to reach the Gramm-Rudman target deficit figure is only $11.7 billion, I suggest that they go over to the Pentagon and take at least two-thirds of that money and put it where it will do some good.

Congress is not looking at the real priorities, rather, they look to some Gramm-Rudman magic formula that says they are going to be forgiven because it was not their fault.

I agree it is not a good idea. Unfortunately, nobody else was offering anything realistic. Congress at that point in time was willing to do almost anything to get some reduction of the deficit, which is a very serious problem.

Mr. Atkins.

Mr. ATKINS. I am wondering if our panel could give me a sense of what you feel the unmet need is for job training services and give me the whole range of services. Specifically, could you give me a figure of the number of people in the State that you think are in your target population who presently aren't working who could enter the labor force with the right training or access to literacy programs, day care, whatever, and what the costs of making services accessible to that group of people would be?

Ms. STRATTON. Let me take a stab at that. I think that there are over 300,000 people who are in poverty now and who, with the program eligibility guidelines, are precluded from training.

Mr. ATKINS. And those 300,000 people living in poverty—they are precluded——

Ms. STRATTON. Many of them are working. About a third of those people are working. And the income generated prevents them from meeting our eligibility criteria.

Mr. ATKINS. Those eligibility criteria are determined federally.

Ms. STRATTON. They are.

Mr. ATKINS. So, one of the recommendations, I presume, that you would make for this committee would be to give States more flexibility in determining those eligibility criteria?

Ms. STRATTON. I would. I don't, obviously, suggest, given limited resources, having a universal system. I think that States have a responsibility to invest, and I also feel that we must do a much, much better job in getting businesses to share part of the burden for financing the training of their own work force.

But there are some areas that I think right now we cannot do under JTPA, and it has been clearly demonstrated that it leaves a major gap in the program. One of them is upgrading and retraining.

Mr. ATKINS. I appreciate that.

My question basically dealt with people who are presently out of the work force or living in poverty and your sense of the reason. That includes the resources it would take through various job

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training programs to bring them into the work force, and I am presuming that there are jobs available in the economy for those people in Massachusetts, at least.

Ms. STRATTON. Yes.

Mr. ATKINS. So is that number 300,000, or is it more than——

Ms. STRATTON. I will get you the exact number.

Mr. ALVIANI. I think one of the things that we are finding, particularly given the way that our work force—the way, too, our employment is growing and yet our work force is not growing at the same rate, is that our gap is getting very, very narrow.

And the question is where do we draw to create more of a labor force to keep our economy driving, and one of the things that we are finding is that a lot of the reasons that people are being kept from entering the work force are those barriers which we are needing to address through flexible funding and which we can't address through JTPA presently.

Mr. ATKINS. But how many people or jobs are we talking about, roughly?

Mr. ALVIANI. I think the gap now—I think there is something like a million or so who are not counted in the work force.

Mr. ATKINS. So, you are saying that in Massachusetts there are 1 million people not in the work force who, given sufficient day care, literacy programs, could enter the work force, and presumably a large number of those people who enter the work force given the opportunity, is that——

Mr. ALVIANI. I think that there are probably a substantial number of those who, with those barriers removed, would enter.

I would like to check on that number.

Ms. STRATTON. We use a figure that right now JTPA serves roughly 3 percent of the eligible population.

Mr. ATKINS. So what reasonably—if you are serving 3 percent, if you had a 97-percent growth in your programs, obviously you couldn't manage that.

Ms. STRATTON. That is correct.

Mr. ATKINS. Given an ideal situation without budget restraints, what is the level of growth that you would like to see for the next year and feel you could manage, and how many additional people would you serve?

Ms. STRATTON. I think that we could responsibly manage certainly another $15 to $20 million of basic programs, and I think that that would serve around 7,000 or 8,000 people.

Mr. ATKINS. And you are presently serving how many people?

Ms. STRATTON. Well, we serve 17,000 youth and around 10,000 adults.

Ms. MCCORMACK. I have some figures that I think would be helpful that actually come from the Division of Employment Security, February 1985, although I think these figures might go to 1980.

It has the poverty population in Massachusetts at 294,900. The percentage of employed people in that pool would be 32.7. The unemployed would be 7.1 in that pool, and out of the labor force, people who are out of the labor force, 60.2 percent of that population is out of the labor force.

I would assume some of those are children.

Ms. STRATTON. That doesn't include unemployed.

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Mr. ATKINS. Secretary Alviani, what is the present surplus in the unemployment compensation fund for Massachusetts?

Mr. ALVIANI. I don't know the exact——

Mr. ATKINS. Roughly, do you know?

Mr. ALVIANI. $800,000,000.

Mr. ATKINS. Surplus. I will lay my advice on the table. I am one of those dead-armadillo collectors who did vote for Gramm-Rudman. I have to tell you candidly that in my estimation it was probably the best vote I cast last year. It is something that is going to cause a lot of changes.

But it seems to me there are two ways that we can deal with our budget problems and Gramm-Rudman related changes. One is to say this is terrible, the Federal Government has had a historical obligation in this area.

The other way is to try to constructively rebuild some of these programs and build them more efficiently. I think we have a classic case in point here that you have got $700 million plus in surplus in our unemployment comp funds in this State

That money is just sitting there. It has been collected from employers, and our unemployment rate has been plummetting, in large measure due to job training programs.

What was the rate——

Mr. ALVIANI. In the last 3 years, employers saved $218 in the Commonwealth. The last rate cut was announced in December. It was $51 million.

Mr. ATKINS. And that was announced last December. Aren't we ready for another cut now——

Mr. ALVIANI. No, we are there. That is as far as we can cut. We are down to as far as we can go.

Mr. ATKINS. We are down to the federally allowable minimum cut, so right now we are just collecting money from our employers, and actuarily we know we won't need to pay for unemployment compensation. We have close to a billion dollar surplus in the fund, and you are saying that the maximum that you could spend responsibly job training is $20 million.

I believe that these programs, in fact, are investments; that in a fairly short period of time they will return more in tax revenue into the Treasury, both the Federal and State Treasury, than they cost in budget outlays. My suggestion is that rather than curse Gramm-Rudman, we should constructively try to put together a new funding mechanism. Even if you took a fraction of the interest that would be earned on that $800 million, you could fund those programs.

And I would strongly suggest to you, Mr. Secretary, and to my chairman, I would hope that there should be some program responsiveness, even though this committee doesn't have jurisdiction over unemployment compensation.

I think that is one of the problems with job training, is congressional oversight of that jurisdiction is spread over so many congressional subcommittees. This multiplicity of jurisdictions makes it extremely difficult to create a mechanism to allow states to access some of that unemployment compensation money for job training programs. Theoretically this access would further reduce unemployment comp claims.

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Ms. MCCORMACK. Are you advocating, then, that the State take over where the Federal Government has left off and not only fill the gap, but expand job training programs in the State?

Mr. ATKINS. Absolutely. One of the biggest impediments we have had on the State level is there was a sense that if you invested additional State dollars, since job training was really a Federal responsibility, that what you do is just eliminate pressure on Congress to do more. Thanks in large measure to Kay Stratton's leadership, we have crossed that funding threshold.

I am suggesting now that with or without Gramm-Rudman and accepting my chairman's admonition about the defense budget, on which I totally agree with him, we still have a Federal cover that is bad. I think the best things the feds could do is give State and local administrators realistic expectations.

Gramm-Rudman isn't going to be repealed. We are going to get the Federal deficit down to $144 billion one way or the other, and it doesn't have to come about through automatic cuts.

One source of savings is the area that the chairman suggested, the slush fund in DOD that comes through an erroneous calculation of the inflation rates that they do. It is a successful little budget game that they play. We can recover that, but in the meantime I don't think there is anybody who thinks that there is going to be substantial growth in the Job Training Partnership Act over the next couple of years or perhaps even over the next decade.

Simply put, the Federal Government is broke. If you are sitting on close to a billion dollar kitty in unemployment compensation funds and if expenditure of those funds would further reduce employer costs, then I just think you are, to go back to your Texas analogies, hound dogs barking up the wrong tree. There is no fiscal racoon in the Federal tree.

Mr. ALVIANI. Congressman, without waiving my right to continue to curse the Gramm-Rudman mechanism, let me suggest we have initiated a study of employment policy, one part of which will be to take a good look at unemployment insurance and how those funds could be used to get the flexibility you are talking about.

Mr. MARTINEZ. Your State may have a surplus, but there are a great many States that have no surplus. In fact, many don't have enough money to carry out necessary programs

You are fortunate to have a surplus. There is a good possibility that there are other States also in good financial shape as far as unemployment surpluses are concerned, and possibly we ought to be looking at how we could interact with those committees that have jurisdiction to find away to allow the surplus to be used to subsidize other programs.

Ms. STRATTON. May I respond to that point, because I think it is an extremely important one. It is an obvious source of funds in those States that have a surplus. Massachusetts is a good news/bad news story. We looked at it very closely.

Our Commerce and Labor Committee submitted this fall a bill which would establish something called a skill investment fund supported by essentially a 0.01 percent diversion of unemployment insurance.

Unfortunately, the bad news is that the timing is rough, that the formula has now been reduced to its most basic level, and it is not

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going to go down any more, so there is no way to establish a quid pro quo for the fund.

I hope the committee will think about providing on a pilot basis flexibility for a few States that do have a surplus to experiment, give the Governors an authority and flexibility to do that.

Right now, as I understand it, we do not have the latitude to reduce the tax any further.

Mr. ATKINS. It seems very clear that we are now at a rate of employment that nobody can anticipate, that there ought to be some flexibility to allow us to further reduce our unemployment compensation tax rates.

Ms. STRATTON. All we are asking for is some kind of Federal waiver for that, and I believe that that takes legislation.

Mr. ATKINS. I would be happy to work on that.

Ms. MCCORMACK. Representative Atkins, Boston is certainly aware of the State surplus and we take your suggestions to heart.

I am wondering whether or not you have communicated your suggestions to the Governors personally.

Mr. ATKINS. I have, and I think one of the things that has happened in Massachusetts, the success story in employment and training is getting a lot of national publicity.

I think one of the problems with these programs is that there is a certain irony in that they are triggered and the resources are geared to those places that have the highest unemployment, which is really where the programs are hardest to run.

The thing that we have discovered in Massachusetts is that if you have a very, very tight labor market, that is the time you could talk to employers who would never listen to you before, because now they need the employees.

I totally want to associate myself with my chairman's comments on the fact that many other States have unemployment insurance funds that are in deficit and have several unemployment problems there.

And those States—frankly, I probably shouldn't say this coming from the State—are where Federal investment ought to be.

In Massachusetts, to the extent that we can pay our own way, ought to be doing that and ought to be setting up self-financing for these programs, particularly in areas with especially tight employment markets.

I would guess that you have data that would show that the dollar investment in job training—you get more than that back in State and Federal revenue, and even for a dollar taken out of employer taxes under unemployment insurance that you return more to employers as a group in a job training investment as you put people to work.

I think it is common sense, and if you can make money on the investment, then we ought to have the people who are most capable of making the investment make it.

Let me switch the subject to something more mundane for a moment. Could our panel tell us about the Massachusetts proposed voluntary allocation formula? I believe we have got one.

Ms. STRATTON. The only thing I can imagine you are referring to is among the SDA directors in their discussions, the possibility of waiving JPPA increases in three areas that would not lose money.

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In fact, essentially, the three winners—there was some discussion about them voluntarily agreeing to a 90-percent hold-harmless, and I think that that is a real tribute to the vision and long-term understanding about the points of stability of the system.

I think it is also enormously difficult to sell as mayor. I can't imagine those directors being around the next day if it was discovered that they had, in fact, given away $1 million.

So, I don't think that is real right now.

Mr. ATKINS. Congressman Williams, who is one of the members on the subcommittee, will be filing a bill later this week, I believe, to create a 90-percent hold-harmless provision.

I can see the lack of that kind of provision creates an absurdity in the program. You have stated this morning that some SDA's can't spend the money they are presently getting. These funds will be increased by as much as in some, 180 percent, for example in the case of the Quincy SDA.

But other SDA's, like Lowell, where we have a major skill center that is being opened with a Federal investment through EDA, won't have sufficient funds to run that skill center, even though there is tremendous demand for its programs.

I will be cosponsoring Representative Williams' legislation. I don't know whether, since it hasn't been filed yet, we have plans to have hearings on it at the subcommittee level, but we will certainly be working on that, and it is that kind of change that I hope will allow you to spend your Federal moneys a little bit more effectively.

Are you aware of the new skills training center in Lowell that is being built, and do you have thoughts on what needs to be done to make sure that we have sufficient programs to keep that center in operation?

Ms. STRATTON. I think, as I indicated before, that we need to begin to take a really rigorous look at ways in which we can attract business investment and make our programs sufficiently competitive and sufficiently good that companies buy it. And if we can't, we can't cut our problem under any circumstances.

I think, in part, this is a Massachusetts problem, but I think it is also a national problem—there is neither the history or the ethic, I guess, the tradition of business investment in these programs, and unlike Europe and Japan where there is a clear recognition that training is as central to economic development as infrastructure and available capital, I think that there needs to be the same kind of consciousness raising for training programs as there was over the crisis of education.

I think that can be done, in part, locally, but requires national leadership.

Mr. ALVIANI. I will say that we have had, over the course of the fall and over the course of the last 2 weeks, a number of conferences in which we have drawn business leaders, academics, and public officials together to talk about what is going on in Massachusetts and how to keep it going.

Across the board, one of the principal issues raised by the business people at those conferences has been the need for attention to employment training, the need for the ability to upgrade skills, the need for ability to continue to provide a skilled work force as these

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industries continue to expand, but also change as the technologies change.

I think the timing is better, probably, than it has ever been to get that kind of attention and investment.

Mr. ATKINS. I wish you success in that, and if I could, I believe you will be able to join us for lunch. And on the way over, if it would be possible or if you are not able, if you could do it before then with Mayor Kennedy, if you could take a quick look at the skill training center, will be looking for your assistance in making that a model center for the State and the Merrimack Valley.

Mr. MARTINEZ. Thank you, Mr. Atkins.

Ms. McCormack.

Ms. MCCORMACK. In July, Boston is going to lose over $1 million in job training funds. I wanted to ensure that the representatives will work with us to approach the State to make up that difference.

Mr. ATKINS. I am not sure how much—I had more clout a year and a half ago with the State than I do now, but I know that the Governor has made this kind of program a centerpiece of his state of the union of his budget, and I particularly would like to work with the Secretary on seeing if there aren't ways that we can give the State some access to the U.I. funds to pay for that kind of activity. And I certainly will be working with him.

Mr. MARTINEZ. With that, we will conclude this panel. It has been very informative and I let it go longer than it should have because I was very interested in hearing your thoughts along with those of Congressman Atkins. They will be very helpful to us. Concerning the piece of legislation that Mr. Williams has introduced, I will be talking with him and see if we can schedule hearings on that.

Thank you.

Mr. MARTINEZ. Our next panel consists of Jerard Indelicato, Arthur Schwenger, and Ann Whooley. Welcome and thank you for joining us today. We will start with Dr. Indelicato.

STATEMENT OF JERARD INDELICATO, SPECIAL ASSISTANT TO THE GOVERNOR FOR EDUCATIONAL AFFAIRS

Mr. INDELICATO. Thank you very much, Mr. Chairman.

I am glad to be here. As a way of addressing the unemployment insurance funds, Congressman, there is a group meeting as we speak, as a matter of fact, an employment cabinet group within the Governor's office discussing the use of those funds. The Governor did raise that last week.

In Massachusetts we have a unique opportunity to focus on those who are the most at risk, the hardest to serve and those who have been left out of the labor force.

At a time when we in Massachusetts are close to full employment, there is a segment of our population we need to assist. Of the working age poor, 60 percent are not participating in employment. Of the families who are headed by adults without a high school education, 40 percent are living below poverty and 50 percent are on AFDC.

Of this population of more than 1.4 million, we have served only 3 percent through our adult basic education programs. This is at a

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time in Massachusetts when only 17 percent of jobs are held by people with less than a high school diploma. In other words, 83 percent of jobs in Massachusetts today require a high school diploma.

I don't need to remind you of illiteracy's high cost in the USA—6 billion per year for welfare and unemployment costs; 6.6 billion for the incarceration of illiterates; 237 billion lost in unrealized earnings of adult illiterates.

Solving these problems requires cooperation at all levels of government and a closer connection between education, employment, and training systems, and industry, both employers and employees.

In Massachusetts, we are just beginning to address the issues of coordination between education and training systems.

The JTPA 8 percent collaborative money has been used in an effort to link public education with job training programs, school-to-work transitions, and special dropout prevention youth projects involving human service agencies.

Some basic issues around the nature of both systems need to be thought through while encouraging this collaboration.

For example, to what extent should the education system serve the labor market? Education's responsibility is to prepare individuals for full participation in all aspects of life, not just employment.

However, we should use the education system, for example, vocational-technical school facilities, colleges and universities, as a partner in youth and adult training, retraining, upgrading and for developing high level skills.

The Perkins Act should be fully funded, especially title III which provides special programs for the neediest populations.

Another issue: To what extent is the JTPA system a quick fix? After much success in the initial job placement of many in the welfare system, we are becoming aware of the need to change the nature of this system to include more basic skills, education in training, and the provision of supportive services in child care, transportation, counseling, and financial assistance.

To this end, we urge Congress, through you, to consider those barriers implicit in the present JTPA regulations which preclude serving those most at risk and with the greatest needs: Performance standards that do not allow for flexibility in responding to multiple client needs and which limit the length of literacy; ESL and basic skills training before job placement; collaboration requirements which do not address differing State agency mandates, budget cycles and targeted populations.

We need to emphasize the use of present educational resources, not create a new sytem, to connect human service agencies to our client delivery system, and to include positive terminations which will allow clients to participate in further education and skill development programs.

The issue confronting us is how to institutionalize success so that Federal goals are realized at local and regional levels.

In Massachusetts, the board of education has proposed some clear goals for achieving a comprehensive system for the delivery of basic education services which will ensure opportunities leading to basic adult literacy in the Commonwealth within 5 years.

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This requires working with the Governor and the legislature and collaborating with other State agencies in the design of a statewide plan for all adult education and training programs and services.

Any Federal initiatives proposed by Congress should focus on strengthening the ability of local and regional delivery systems to target their services to those most in need.

Collaboration at the Federal and State level is important only to the extent that it eliminates excessive bureaucratic requirements and encourages innovation and the most effective use of resources through technical assistance in program design, staff development, efficient budgeting and the latest research in promising practices.

We in Massachusetts are anxious to work with you to find solutions that will enable each and every person to live to his or her fullest potential.

Thank you very much.

Mr. MARTINEZ. Thank you, Mr. Indelicato.

Mr. MARTINEZ. Mr. Schwenger.

STATEMENT OF ARTHUR SCHWENGER, EXECUTIVE DIRECTOR, FRANKLIN-HAMPSHIRE PRIVATE INDUSTRY COUNCIL

Mr. SCHWENGER. Thank you. Good morning, Mr. Chairman, Mr. Atkins, distinguished committee members.

I am Arthur Schwenger, the executive director of the Franklin/Hampshire Employment and Training Consortium and the Franklin/Hampshire Private Industry Council.

I am also staff to Mayor David B. Musante of Northampton and the Greenfield Board of Selectmen who share in the public/private partnership.

Our service delivery area is in rural western Massachusetts. It is composed of 50 municipalities and covers 17 percent of the State. It has a population of only 217,000—3.8 percent of the State.

Our eligible low-inome population numbers about 28,000. It takes 1½ hours to drive from one side of the consortium to the other at 50 miles per hour. If it is snowing, you can forget trying to get from one side to the other. I live in the town of Heath, population of 482.

I came not as an expert theoretician, but as a practitioner for 18 years in the design and implementation of employment and training programs.

My organization has depended on remarkable staff people who have spent their energies primarily because of commitment and dedication to a national public cause that really helps.

I would tell you two points about the Job Training Partnership Act.

One, in our rural area, JTPA and the Public/Private Partnership work very well.

Two, JTPA turns a tax-consuming citizen without a job or future into a tax-paying producer with a career, directly and in a relatively short period of time.

First, let me explain that there are two very important differences between rural and more urban programs that affect us: Great distances and a small, dispersed population. There are often cows, tomatoes, and a lot of trees between home and work.

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So often we find a person who wants to be trained for a job, but the training and the job we help them find is 30 or 40 miles from home, too far away.

We are often successful in moving the training to them or the trainee to the job. But this means a greater cost to the program. As an example, our employment counselors often must travel more than 200 miles a week visiting worksites and participants.

Over 40 percent of the 500 people we serve yearly in our JTPA programs are citizens receiving welfare. Sixty-one percent of these folks do not have transportation. There is almost no public transportation available. We are helping to address this problem.

A small and dispersed population has meant that the most effective type of training is individualized, and the least effective is large classroom training programs.

Our area job opportunities seldom can provide 10 to 15 openings at once in one skill area. On the other hand, on-the-job training and upgrading for one to two participants at a time at various small companies is highly effective. Last year, 89 percent of our OJT's finished the program with jobs.

I would like to share two examples in our area that clearly demonstrate how the use of Federal job training funds has been particularly effective in serving rural populations: Our linkages with economic development efforts and our coordination with education.

Last year we were invited to join a group of economic development leaders who were attempting to attract Baker School Specialty Co. to move to the Athol/Orange Industrial Park.

The company was in need of room for growth and could not find enough workers where they were. The presentation was effective. The company chose to relocate.

The JTPA resources of screening, referral and training subsidy were a significant selling tool. I am submitting several letters which tell of the story.

Since this success we have been asked to participate again and again as a respected part of the sales pitch for new development, both local expansion and attracting new businesses.

We have had another major success in helping to attract Huntington Homes, which this week has hired the first of many workers referred by the PIC under OJT.

The significance of this cannot be overemphasized. These two companies alone represent more than 250 jobs to a depressed area where there simply are not enough jobs.

In coordination with education, the Franklin/Hampshire Private Industry Council recently developed an innovative program under the 8 percent JTPA set-aside to provide basic education and literacy training.

This program is operated by the Greenfield Community College and uses the facilities of Mahar High School. Community Development Block Grant funds from the towns of Athol and Orange were made available for this program. With 75 percent positive outcomes this program is a demonstration of how coordinated resources can work.

Another important linkage with education is our Pre-Employment Skills and Try-Out Employment Program for youth. This pro-

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gram served 65 youths last year. Consider what a job it is to provide a program with 65 slots to 22 area high schools. That is rural.

Who are the people we serve? They are the harder to serve and people with the most employment barriers. Our data shows it clearly. It is not the easiest way to do it. Our emphasis is on real training. We provide a high level of support. Our participants are enrolled longer and are more costly. So far this year, 50 percent of our participants served in our JTPA IIA programs had never worked or were not counted as members of the work force, nor are they counted among the unemployed.

In closing, I would recommend to you that the unemployment and training system be strengthened, that a 90-percent hold-harmless substate allocation system would avoid rollercoaster funding; that a base administrative capacity be maintained for small rural areas. Large cuts in such areas would lead to merger with more urban centers where rural needs will be overshadowed and local responsiveness lost, as was the case in years past.

I thank you for the opportunity to talk to you about JTPA.

Mr. MARTINEZ. Thank you.

[Prepared statement of Arthur Schwenger follows:]

PREPARED STATEMENT OF ARTHUR A. SCHWENGER, EXECUTIVE DIRECTOR, FRANKLIN/HAMPSHIRE EMPLOYMENT AND TRAINING CONSORTIUM AND THE FRANKLIN/HAMPSHIRE PRIVATE INDUSTRY COUNCIL

Mr. Chairman and distinguished committee members. My name is Arthur Schwenger. I am the Executive Director of the Franklin/Hampshire Employment and Training Consortium and the Franlkin/Hampshire Private Industry Council. I am also staff to Mayor David B. Musante of Northampton and the Greenfield Board of Selectmen who share in the public/private partnership.

Our Service Delivery Area is in rural Western Massachusetts. It is composed of 50 municipalities and covers the largest land area of any Service Delivery Area (1,405 square miles) in Massachusetts, 17 percent of the state. It has a population of only 217,000—3.8 percent of the state. Our eligible low income population numbers about 28,000. It takes an hour an a half to drive from one side of the consortium to the other at 50 mph. If it's snowing, you can forget trying to get from one side to the other. I live in the Town of Heath—population of 482.

I come not as an expert theoretician, but as a pratictioner for 18 years in the design and implementation of employment and training programs—five (5) in an urban area, 13 in rural Massachusetts. My organization has depended on remarkable staff people who have spent their energies primarily because of commitment and dedication to a national public cause that really helps.

I would tell you two points about the Job Training Partnership Act:

1. In our rural area, JTPA and the Public/Private Partnership work very well.

2. JTPA turns a tax-consuming citizen without a job or future into a tax-paying producer with a career—directly and in a relatively short period of time.

First, let me explain that there are two very important differences between rural and more urban programs that affect us, Great distances and a small, dispersed population. There are often cows, tomatoes, and a lot of trees between home and work.

So often we find a person who wants to be trained for a job, but the training and the job we help them find is 30 or 40 miles from home, too far away. We are often successful in moving the training to them or the trainee to the job. But this means a greater cost to the program. As an example, our employment counselors often must travel more than 200 miles a week visiting work sites and participants.

Over 40 percent of the 500 people we serve yearly in our Title IIA JTPA programs are citizens receiving welfare (45–50 percent of the adults). Please note that 61 percent of these folks do not have transportation. This doesn't mean a lot until you find out that there is almost no public transportation available. We are helping to address this problem. Sixty percent of the people we serve live outside of the three areas of population concentration. *Small and Dispersed Population.*

A small and dispersed population has meant that the most effective type of training is individualized, and the least effective is large classroom training programs.

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Our area job opportunities seldom can provide 10 to 15 openings at once in one skill area. On the other hand On-the-Job Training and upgrading for one to two participants at a time at various small companies is highly effective. Last year 89 percent of our OJT's finished the program with jobs. But individualized training is more expensive due to the travel, communications, and support services such as child care that are needed.

I would like to share two examples in our area that clearly demonstrate how the use of Federal job training funds has been particularly effective in serving rural populations: our linkages with economic development efforts and our coordination with education.

Last year we were invited to join a group a economic development leaders who were attempting to attract Baker School Specialty Company, to move to the Athol/Orange Industrial Park. The company was in need of room for growth and could not find enough workers where they were. The group included decision-makers from lending institutions, the Industrial Development Commission, the Athol/Orange Chamber of Commerce, a real estate expert, and the Franklin/Hampshire Private Industry Council. The Presentation was effective. The company chose to relocate. The JTPA resources of screening, referral, and training subsidy were a significant selling tool. I am submitting several letters which tell of the story.

Since this success we have been asked to participate again and again as a respected part of the sales pitch for new development, both local expansion and attracting new businesses. We have had another major success in helping to attract Huntington Homes, a modular home builder, which has now also built their new headquarters in the Athol/Orange Industrial Park which this week has hired the first of many workers referred by the PIC under OJT.

The significance of this cannot be over-emphasized. These two companies alone represent more than 250 jobs to a depressed area where there simply are not enough jobs, with reasonable wages to go around.

Coordination with education.—The Franklin/Hampshire Private Industry Council recently developed an innovative program under the 8 percent JTPA set-aside to provide basic education and literacy training. This program is operated by the Greenfield Community College and uses the facilities of Mahar High School. Community Development Block Grant funds from the towns of Athol and Orange were made available for this program. With 75 percent positive outcomes this program is a demonstration of how coordinated resources can work to help increase the skills and competitiveness of the local workforce.

Another important linkage with education is our Pre-Employment Skills and Try-Out Employment Program for youth. This program served 65 yout last year. Consider what a job it is to provide a program with 65 slots to 22 area high schools. That's rural.

Harder to Serve.—Who are the people we serve? They are the harder to serve people with the most employment barriers. Our data shows it clearly. It's not the easiest way to do it. Our emphasis is on real training. We provide a high level of support. Our participants are enrolled longer and are more costly. So far this year, 50 percent of our participants served in our JTPA IIA programs had never worked or were not counted as members of the workforce.

In closing, I would recommend to you:

That the employment and training system be strengthened.

That a 90 percent hold-harmless substate allocation system would avoid roller-coaster funding.

That a base administrative capacity be maintained for small rural areas. Large cuts in such areas would lead to merger with more urban centers where rural needs will be overshadowed and local responsiveness lost, as was the case in years past.

I thank you for the opportunity to talk to you about JTPA.

For your information I am submitting the following documents:

1. Letter from Henry D. Huntington, President of Huntington Homes Corp.
2. Letter from George McBride, President of Baker School Specialty Co., Inc.
3. Letter from Thomas J. Kussy, Executive Director of Greater Athol/Orange Industrial Development Corporation.
4. Letter from Raymond Belanger, President of Greater Athol/Orange Chamber of Commerce.
5. Letter from Ann L. Hamilton, Executive Director of the Franklin County Chamber of Commerce.
6. Chart of PIC programs.
7. Pie charts showing activities and funding under Title IIA.
8. Map of the Franklin/Hampshire Service Delivery Area.

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HUNTINGTON HOMES CORP.
Orange, MA, January 24, 1986.

JAMES P. PETERS,
Franklin/Hampshire Private Industry Council, Greenfield, MA.

DEAR MR. PETERS: Monday, January twenty-seventh, is the start of the first On-the-Job Training contract between Franklin/Hampshire Employment and Training Consortium and Huntington Homes. While we consider this only the beginning of a positive relationship, it is also a time to recognize the importance of F/HETC in our decision to locate in Orange and the assistance given to our company thus far.

Messrs. Arthur Schwenger and David Brady originally provided me and my staff with an introduction to both the OJT and vestibule training programs which are now being carried out in conjunction with F/HETC and Greenfield Community College. Since modular housing construction differs in several key ways from regular, site-build construction, having this resource available to help us train a workforce to our needs was an important component in our decision to locate in this area.

Using tax dollars to screen, refer and train unemployed people is an effective, efficient use of that resource since the programs it feeds lead to permanent employment for people who might otherwise remain less productive in the local economy. Having viable programs of this nature also permits a new company, such as ours, to get on its feet more quickly by permitting a workforce stability that might otherwise be longer in coming.

I would like to thank the Franklin/Hampshire PIC for its part in continuing its emphasis on private sector training and assistance in local economic development efforts such as the attraction of firms such as ours. The F/HETC staff carries out PIC programs in an exemplary manner and should be recognized for its cooperation with our staff and its responsiveness to its needs. I wish you continued success.

Sincerely,

HENRY D. HUNTINGTON,
President.

BAKER SCHOOL SPECIALTY CO., INC.,
Orange, MA, January 22, 1986.

JAMES P. PETERS,
Chairman, Franklin-Hampshire Private Ind. Council, Greenfield, MA.

DEAR MR. PETERS: I am writing to you on behalf of the Franklin-Hampshire Employment Training Consortium in support of their efforts to assist us with our personnel requirements.

We relocated to Orange in February of last year. The FHETC contacted us in the summer of 1984 regarding our upcoming personnel needs. David Brady, Drenna Mahaney, and Linda Miller were extremely helpful in recruiting, pre-screening, and making arrangements for us to interview candidates.

Initially we hired seven people who commuted to Acton from September to February. The FHETC provided transportation for these people to and from work which was a great help to everyone involved.

This program has been very helpful to us. We still have most of the original people working for us 16 months later. Our experience has been very good and I hope that they will continue to serve the business community in this manner.

Please feel free to contact me if you would like any additional information concerning our relationship with the FHETC.

Sincerely,

GEORGE MCBRIDE,
President.

THE GREATER ORANGE-ATHOL INDUSTRIAL DEVELOPMENT CORP.,
Athol, MA, January 28, 1986.

MICHAEL S. DUKAKIS,
Governor of Massachusetts, Boston, MA.

DEAR GOVERNOR DUKAKIS: As you are probably aware, Congressional oversight hearings on J.T.P.A. programs are currently being held throughout the country. With the Massachusetts hearing scheduled for early February, I wanted to be sure to express our feelings on the effectiveness of the various manpower programs and services in our area.

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The Franklin-Hampshire Employment and Training Consortium has been an active and productive member of our redevelopment team since our efforts began almost three years ago. The litany of projects, programs and services provided to our area by FHETC is almost too long to list. They have provided competent subsidized support staff to our agency during our most difficult stages of start-up. They have participated in our industrial recruitment efforts as a development team member, providing the necessary manpower incentives to prospective new industry. They have worked in our communities, providing guidance, training and job development services to an area that has one of the highest unemployment rates in the state.

Innovation has been the key to the success of FHETC in our area. When Baker School Specialty, a manufacturer of black boards, was considering Orange Industrial Airpark as a potential site for their new plant, manpower was their biggest concern. FHETC found them qualified help and custom-designed a training program. They even devised a system to transport the new employees to Baker's Acton plant for training while their Orange facility was under construction. The result was a trained workforce, ready to go to work the day the Baker facility was finished. George McBride, President of Baker School Specialty, was so impressed with the quality of his new employees that he had volunteered to speak with any prospective industrial concern on the quality and work ethic of our available work force.

Of special note is FHETC's participating in attracting Huntington Homes into our industrial park. Huntington, a Vermont based manufacturer of modular homes, considered several sites in Massachusetts before deciding to locate in Orange. Without doubt, the decision was made, in part, due to the efforts of the FHETC staff.

After meeting several times with Huntington representatives to determine needs, we asked FHETC to devise a complete manpower development program for them. FHETC put together an impressive package of manpower incentives that included: (1) Cost savings per employeee through Targeted Jobs Tax Credit, (2) potential training scenarios, (3) recruitment strategies and (4) pre-screening of applicants.

As the Huntington Homes facility nears completion, FHETC is working closely with company representatives to assure that their staffing requirements are met and met with solid, quality employees.

Baker School Specialty and Huntington Homes represent over 250 potential new jobs for our area. Though that figure may not be impressive to some, in a small, rural economically-depressed area such as ours, it represents a significant step toward reviving a depressed local economy. They are only two examples of many projects that FHETC have assisted us with.

As an economic development practitioner, I am convinced that job creation is the key to solving most economic and human service related community problems. As a businessman, I appreciate the professional approach of the job training partnership.

Our industrial recruitment efforts are much enhanced by showing our clients how manpower programs can save them time, energy and money.

Most importantly, as a taxpayer, I appreciate recapturing my tax money through services provided to my community through organizations such as FHETC.

JTPA services are probably one of the most cost-effective Government programs available. Our communities have greatly benefited from them and we look forward to their continued support of our economic recovery efforts.

Sincerely,

THOMAS J. KUSSY,
Executive Director.

THE GREATER ATHOL-ORANGE CHAMBER OF COMMERCE,
Athol, MA, January 28, 1986.

Michael S. Dukakis,

Governor of Massachusetts, Boston, MA.

DEAR GOVERNOR DUKAKIS: I am writing on behalf of the Board of Directors of the Greater Athol-Orange Chamber of Commerce to express our strong opinion regarding the Congressional oversight hearings currently being held on J.T.P.A. programs. The services provided to our area in the last few years, through these programs, have been vitally important to our redevelopment efforts. We believe that their continued contributions are crucial to our continued economic recovery.

As I think you know, this Chamber of Commerce along with virtually the entire Athol-Orange business community has been actively involved in a team effort along with your administration to create new jobs in this area. We really hit bottom a few years ago, but we now know that we are on the road to recovery, thanks to your

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help and the work of the 'team'. The Franklin/Hampshire Employment and Training Consortium (FHETC) has played a very active, mandatory role in this team. We need the kind of re-training services that FHETC offers to make sure that our workforce keeps its skills up-to-date for today's economy.

We do not deny that we've had problems here, and that we still have a way to go to reach a healthy equilibrium. The Board of Directors is convinced that the creation of new jobs is the primary task to be dealt with in the next period of growth here.

We have a workforce willing and ready to put in more than an honest day's work. We have competent local professionals who, together with your administration, are working hard to bring those jobs into our area. We have a very receptive business community. We have been lucky enough to have had J.T.P.A. job training services—we want to see these services continued and expanded in the Athol-Orange area.

Sincerely,

RAYMOND BELANGER,
President, Board of Directors.

FRANKLIN COUNTY CHAMBER OF COMMERCE,
Greenfield, MA, January 30, 1986.

Mr. JAMES P. PETERS,
Franklin/Hampshire Private Industry Council, Greenfield, MA.

DEAR JIM. On behalf of the Franklin County Chamber of Commerce Board of Directors and general membership, let me express to you and the Council our continued appreciation for the services provided to us. As we meet with prospective companies interested in expansion or relocation here, it is important to be able to offer them incentives such as the employment and training programs you represent.

Economic development in all areas of Massachusetts is very competitive. To attract industries to rural Franklin County we must often present many combinations of local, state and federal programs. The financial benefit of Job Training Partnership Act funds is clearly something which can meet the needs of many businesses, resulting in increased employment opportunities for our citizens. Moreover, this training for unskilled or displaced workers means that people using tax-supported programs become taxpayers.

Our local Private Industry Council has always been prompt and responsive when asked to assist us in these efforts. We, therefore, endorse and support ongoing legislation to carry on these programs.

Very truly yours,

ANN L. HAMILTON,
Executive Director.

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FRANKLIN/HAMPSHIRE PRIVATE INDUSTRY COUNCIL
PROGRAMS, ALLOCATIONS, CLIENTS . . .
PROGRAM YEAR 1985

Program	Description-Program Operators	Period of Allocation	Allocation	# of Clients Served
JTPA-Title IIA	Training Programs for Disadvantaged Adults + Youth and others with Employment Barriers-F/HETC	7/1/85 to 6/30/86	$1,388,253	546
JTPA-Title IIB	Summer Youth Employment and Training Program for Disadvantaged Youth-F/HETC	7/1/85 to 6/30/86	707,722	671*
New England Telephone	Summer Youth Employment and Training Program-F/HETC	7/1/85 to 8/31/85	9,900	15*
JTPA - 8%	Basic Education Program in Athol/Orange + Greenfield Areas-Greenfield Community College	8/14/84 to 6/30/86	82,111 8,211-F/HETC 73,901-GCC	75
JTPA - 3%	Older Workers Training Program-Franklin County Home Care and Highland Valley Elder Services	11/1/85 to 12/31/86	47,522 4,752-F/HETC 23,423-FCHCC 19,347-HVES	30
DPW-Training	Department of Public Welfare Training Program for Welfare Recipients-F/HETC	7/1/85 to 6/30/86	192,000	77
DPW-Assessment	Department of Public Welfare Career Planning Program for Welfare Recipients-F/HETC	7/1/85 to 6/30/86	16,250*	65*
Northampton Housing Authority	GED Training and English as a Second Language-F/HETC	7/1/85 to 6/30/86	9,960	18
JTPA-Title III	Union-Butterfield Worker Assistance Center-Dislocated Worker Training + Job Search Program-F/HETC	8/30/84 to 3/30/86	243,463	121*
JTPA-Title III	Greenfield Area Emergency Assistance Centers-Dislocated Worker Training + Job Search Program-DES	11/5/84 to 12/31/85	185,653 93,565-DES 92,088-F/HETC	160*
JTPA-Title III	Lesnow Emergency Assistance Center-Dislocated Worker Training + Job Search Program-DES	8/9/85 to 6/30/86	206,826 157,734-DES 49,092-F/HETC	160*
JTPA-Title III	Machine Trades Action Project II -Economic/Business Development-Franklin Co. Community Devl.Corp.	7/1/85 to 6/30/86	114,440 102,996-FCCDC 11,444-F/HETC	N/A
JTPA-Title III	Hilltown Wood Industry Project II -Economic/Business Development-Hilltown Community Devlop. Corp.	7/1/85 to 6/30/86	43,500 39,150-HCDC 4,350-F/HETC	N/A
DES-Employment Service (Northampton and Greenfield Offices)	Selection + Referral of qualified workers to suitable job openings-DES	7/1/85 to 6/30/86	487,895	9,300
DES-Employment Service (Athol Office)	Selection + Referral of qualified workers to suitable job openings-DES	10/7/84 to 6/30/86	119,500	1,175
DES-Welfare Recipient Job Search Assistance	Job Search Assistance for Welfare Recipients-DES	7/1/85 to 6/30/86	198,203	434
Total			$4,053,199	12,847

*Actual Expenditures or Clients served through 12-31-85. All other Allocations and Clients Served figures are Planned figures for Program Year 1985.

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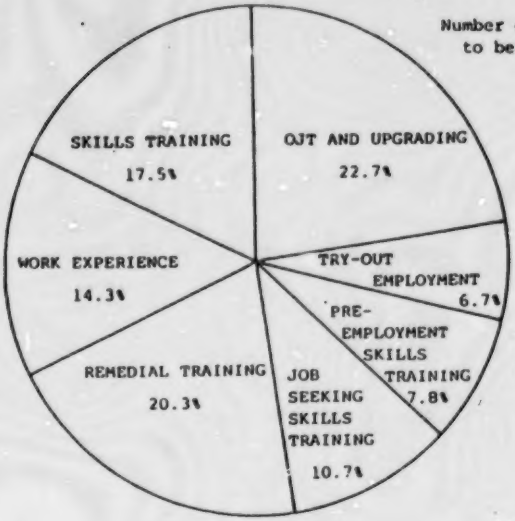
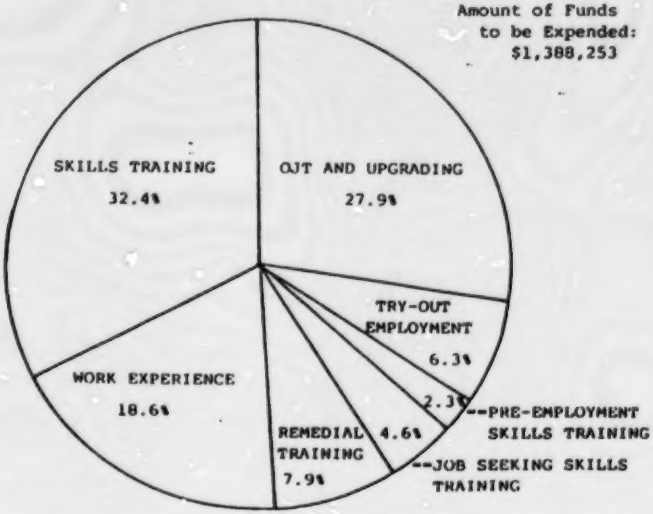
HOW WE ARE PLANNING TO SERVE OUR PARTICIANTS

PY'85 JTPA TITLE IIA PLAN



HOW WE ARE PLANNING TO SPEND OUR FUNDS

PY'85 JTPA TITLE IIA PLAN



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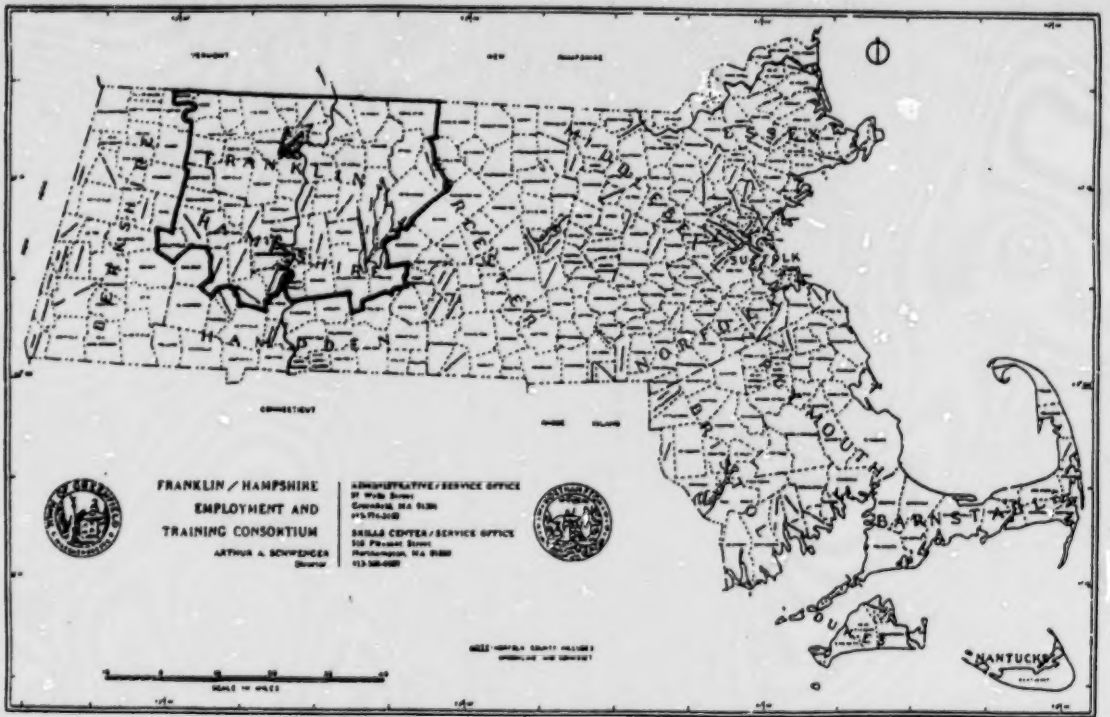

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Mr. MARTINEZ. Ms. Whooley.

STATEMENT OF ANNE M. WHOOLEY, EXECUTIVE DIRECTOR, METROPOLITAN-SOUTHWEST EMPLOYMENT AND TRAINING ADMINISTRATION

Ms. WHOOLEY. Good morning, Mr. Chairman and Congressman Atkins. I am happy to be here today.

I am Anne Whooley, the director of the Metro South/West Employment and Training Administration. We serve 43 communities with an unemployment rate on the average of 2.3 percent.

While my written testimony spells out programs, statistics and examples of coordination, I will focus my oral remarks today in four areas, one on the PIC's, one on coordination, one on the creaming issue, and one on the allocation formula.

MSW is very fortunate to have a strong and active PIC that not only looks at their responsibilities under the legislation but sets a yearly agenda for itself.

They have contributed equipment, staff time, and other resources to us. They have made presentations in their own companies, in their peer companies and other business organizations to endorse our agency, but the greatest endorsement is that they hire the people we train.

We are very proud of the joint public-private relationship that has developed and also the mutual respect between the staff and the members of the PIC.

With regard to coordination, our direction from the PIC is do all you can to utilize all the resources in the area to assist the residents to become productive members of the community.

We locate staff in all the employment service offices in our area for one-stop service for all our clients. E.S. serves the job-ready, and we serve the people who are unskilled and not job-ready.

We have developed strong relationships with welfare agencies, rehabilitation agencies, education agencies in order to foster a case management approach with the goal of a more effective, efficient service for our mutual clients.

Now to the creaming issue. There was a lot of discussion of the system creaming. I personally feel a more appropriate way to evaluate the system is to look at the number of welfare recipients, women, single heads of households, minorities, handicapped, and youth that are served, and to focus on the entered employment rates and the wages for this group.

To look at the high school graduate being served as the main criteria is not appropriate based on staff analysis of test scores of high school graduates and high school dropouts.

A significant number of people with diplomas test out with seventh to eighth grade reading and math scores, while high school dropouts may score much higher.

The SDA's in Massachusetts have served the most in need with a full range of services from basic education, English classes for our non-English speaking clients and then into a skills training program, and finally into jobs to make them productive employees and taxpayers.

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Let me address what I feel is the greatest threat to the JTPA system, the instability of funding. We have a 2-year planning process, but the major shift in funding is a nightmare and will have a significant negative impact on our ability to continue to provide quality services.

In our SDA alone, we took a 50-percent cut in the transition from CETA to JPTA. We then took an additional 25 percent cut. This year, we took a 33-percent cut and we are anticipating in a program year starting July 1 an additional 25 percent cut.

This brings our base allocation down to a little over $600,000. How can we continue with cuts like this? While I have endorsed a 90-percent hold-harmless to the substate level, I also ask that you review the formula that is two-thirds based on unemployment and only one-third on the economic disadvantaged that we are mandated to serve.

In closing, I thank you for your interest and for coming to Lowell and would be happy to answer any questions you may have.

Mr. MARTINEZ. Thank you.

[Prepared statement of Anne Whooley follows:]

PREPARED STATEMENT OF ANNE M. WHOOLEY, EXECUTIVE DIRECTOR, METRO SOUTH/WEST EMPLOYMENT AND TRAINING ADMINISTRATION NORWOOD, MA

The Metro South-West Employment and Training Administration (MSW) is one of fifteen member organizations participating under the Job Training Partnership Act of 1982, serving economically disadvantaged residents of Massachusetts.

MSW is governed by its Private Industry Council (PIC) which acts not only in an oversight capacity but provides a continuous avenue for communication between private industry, education, labor, community based organizations and other government agencies. It is largely through the cooperative efforts of the PIC membership, that MSW is able to provide a constant source of respective, efficacious and cost-effective programming to the community.

Comprised of three former CETA Consortiums, MSW's large geographic area encompasses 43 cities and towns whose combined populations total a demographically diverse 875,000. This area also encompasses one of the nation's largest concentrations of high-tech companies and has an effective unemployment rate of 2.3 percent.

Faced with the dilemma of ever diminishing resources, MSW has through its tight management policies, flexible staffing and innovative programming, succeeded in maintaining a full range of services for populations often demonstrating multiple problems (language, housing, transportation) which translate into barriers to finding employment and usually have a negative impact on a participant's future work life.

MSW concentrates on providing a total, well-rounded training experience for its participants; the kind of experience that ultimately produces the dependable, skilled and motivated individuals who are in such demand by today's industry—not just to meet immediate employment needs but to figure in the total employment picture for years to come.

To create a total training environment, MSW provides a full range of pre-employment services including assessment, English Language and equivalency diploma tutoring. Through our Adult Basic Education and Work Experience programs, participants gain the maturity and self-confidence needed to function effectively in the work place.

MSW also provides such employment related activities as job referral, placement, and assistance with interviewing techniques and resume writing.

MSW administers 3 percent Older Worker Programs through contracts with local agencies providing employment related activities, training and placement assistance to its over 55 population.

MSW's Tryout Program, for participants 16-21, provides excellent and otherwise unattainable training opportunities in private industry.

MSW also participates in a Summer Youth Employment and Training Program and last year provided employment for some 900 young people.

On-the-job training (OJT) responds to the immediate needs of participants looking to upgrade skills or learn new skills in order to successfully enter or reenter the work force and to employers looking for dependable candidates to train on their

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premises. With the continued rise in high technology, NSW will concentrate on obtaining OJT positions for its clients in the following areas: telecommunications, data processing, office machine repair, electronics, computer graphics and many others.

Skills Training provides an intensive classroom training experience. The MSW Education Center in Marlborough, trains for Office (clerical/secretarial) and Electronics careers. By administering its own educational facility MSW can modify curriculum, provide individualized training, and choose starting dates and number of cycles offered.

Case: A recent graduate of the MSW Education Center's Electronic program, a minority female and former Welfare recipient, landed a job with a major high-tech company as a Electronics Assembler. Her starting salary was $7.92/hr and after several promotions she is now earning $11.57/hr as a Test Technician.

MSW's program of Individual Referral contracts with local educational institutions to provide skills training in such growth fields as HVAC technology, computer aided drafting and word processing.

In addition to its regular program and counseling activities, MSW through cooperative efforts with such agencies as the Division of Employment Security, Massachusetts Rehabilitation Commission and the Department of Public Welfare, is able to offer a case management approach to its clients.

From time to time MSW embarks on some rather unique training endeavors. Such is the case with its Industrial Roofing program conducted in conjunction with Roofers' Union Local #33. After 10–15 weeks of classroom training, participants receive more than $8.00/hr plus benefits to complete 200 hours of apprenticeship/on-the-job training. The Union provides all training, materials and work sites. Since its inception in September of 1985 24 participants have completed the program with a placement rate of 83.0 percent. This is an ongoing, open-ended program with seven participants currently enrolled.

Another such program was an intensive data entry course for young mothers, 16–21, from the Marlborough area. MSW contracted with the Assabet Valley Regional Vocational High School which provided the site, instructors, equipment and materials, and the Health Information Referral Service, Inc. who identified participants and provided placement services and day care. Of the eight participants who graduated in December, five are currently employed and the remaining three are in line for positions utilizing their data entry skills.

MSW is particularly proud of program like these which are carried out through inter-agency cooperative efforts, for they indeed exemplify the true meaning of "Partnership."

For the program year ending June 30, 1985, MSW served a total of 603 participants in all of its programs (excluding IIB), with an average placement rate of 80.0 percent and an average salary of $5.88/HR.

An excellent targeting system has allowed MSW to serve statistically significant proportions of women, single heads of household, high school dropouts, welfare recipients and minorities.

Although MSW's youth enrollment has not been as high as anticipated, the recent adoption of Youth Competency standards and the implementation of some innovative, youth-oriented programming is expected not only to attract more young people, but also to enable MSW to better address the special issues concerning this unique and illusive target group.

In order to better facilitate the delivery of services in its area, MSW is in favor of the following:

(1) Revision of the Sub-State Distribution Formula (SEC. 202) of the Act. A 90 percent, hold harmless policy would enable MSW to engage in the kind of long-range planning necessary to insure uninterrupted and cost-effective service to community.

(2) Revision of Sec. 205 of the Act (Tryout Employment) in order to achieve more realistic goals for the Tryout Employment Program. MSW would like to see the maximum 250 training hours per student changed to an average of 250 hours per student. The average would be determined using statistics accumulated over a two year period. In addition, MSW would like to see the 100 percent placement rate adjusted to 75 percent.

(3) Addition of a statewide complementary educational component to the Summer Youth Employment and Training Program. This component would be used in conjunction with work experience for students having difficulty meeting the appropriate academic standards in their school district. MSW has sponsored such educational components over the past several years and found them beneficial not only to students who, after earning summer credits were able to either return to school or to graduate, but also to MSW in strengthening its bonds with local school departments.

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(4) Changes in the eligibility requirements for Older Workers, making them more consistent with the current standards set forth under Title V of the Older Americans Act.

(5) Elimination of the matching funds requirements for Dislocated Workers Programs.

MSW realizes that the ideal situation of completely tailoring programs to meet the needs of participants and local industry is not always feasible within the precepts and constraints of a program like that spelled out by the Job Training Partnership Act.

However, MSW believes that the cooperation between agencies and the vital communication between private industry, labor, education, community and government which is inherent in the JTPA system leads to effective targeting and recruitment systems, a viable case management approach to clients and the most cost-effective use of funds in designing programs.

In closing, MSW expresses its appreciation to the House Subcommittee on Employment Opportunities for its willingness to listen to the concerns and proposals of our organization. MSW also thanks the State for its continuing support in helping develop the strong ties with Private Industry Councils, Local Elected Officials, Government agencies and other Service Delivery Areas that have brought success to all our endeavors.

Mr. MARTINEZ. One of the things that is apparent to me from your testimony is that there doesn't seem to be a "creaming" effect in your job performance contract.

It is very gratifying to see that people who need help get it and that those who complete the training are placed.

Do you still use the job performance contract?

Ms. WHOOLEY. We do. We have an extensive outreach mechanism to all the agencies that serve the people that should be eligible in our programs.

I think something is that we also have a skill center located in Marlborough, and we have the flexibility within that skill center to be available to adjust curriculums and adjust lengths of time to meet the needs of the people coming in.

Mr. MARTINEZ. Do you place everybody you put in the program?

Ms. WHOOLEY. We try very hard.

Mr. MARTINEZ. One of the things we have heard as we go around the country is the need for remedial and basic skill training for these people to be able to accept training for the jobs.

In that regard, one of the most successful operations I have seen is in California—San Jose—run by a group called Center For Employment Training. They have feeder classes where they take the people for initial aptitude testing and then put them into field programs before they see job training at all.

There is an attitude adjustment toward things that people looking to be employed should consider; promptness, attendance overall what they should expect, as employees, to be successful.

One of the main ingredients is, the private industries input into what kind of things should go into a program like this.

One of the things we notice around the country is in some places competition between private schools that provide vocational training and the Education Department of the State.

There seems to be a great deal of cooperation between education and business, the partnership we are looking to achieve.

Can you tell me why you have that tremendous success here? Is it because the business people see a tremendous advantage in having someone else do the training?

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Mr. INDELICATO. I think that what you have suggested is part of the answer, and that is that if business has an opportunity to share with people who are in the education business what their needs are and have an opportunity to design the system to respond to those needs, I think they are more comfortable what the outcomes will be in terms of efficiency and effectiveness, more responsive.

I think another thing in the State is the adult delivery system. While not as extensive as it ought to be, and I think we ought to expand that and will be doing that over the next 5 years, we have roughly 90 adult learning centers across the State that have been operating very effectively since I was involved, and Congressman Atkins was involved before me in those learning centers.

They have been providing services tailored to the individual and providing services in such distinct places as Wooster Gallerea, which is a shopping mall, as compared to the Wooster Public High School in the evening.

So, I think we have tried to respond in a way that people feel comfortable with the environment and comfortable that the training program is more tailored to their needs and tailored to employment, not tailored to some magnanimous goal which lets you walk out the door wondering whether you are going to find employment.

That is how we have tried to respond, Mr. Chairman.

Mr. MARTINEZ. I think that tailoring training to employment is the key. What can be done to better accomplish this?

Mr. INDELICATO. I would defer to my colleagues who are practitioners in that.

Ms. WHOOLEY. I think in terms of stability in the funding—and in my written testimony I spelled our changes, slight modifications of the law that may exist—but I think stability in funding is probably the biggest thing that would help us.

It allows us then to be able to bring a person in at this point in the year, to take them through the series of program activities that they are going to have to go through, maybe starting with the English classes, then going into the basic education, then maybe into a working experience component to address the needs of the appropriateness of being on time, dressing appropriately for work, then moving into a skills training program that may last 6 to 9 months to 1 year to give that person the training that they need in order to have them move out into jobs that are going to pay them a livable wage and offer them some upward mobility.

And with the instability, when I look at next year's funding, I am somewhat insecure in being able to make those kinds of commitments to the people that may be coming through the door today.

Mr. MARTINEZ. Mr. Schwenger.

Mr. SCHWENGER. I agree and go a step forward. You need a corresponding administrative capacity, as well, to carry out the coordinated functions that are looked for and that our council looks for with State and local organizations that have employment and training functions.

The educational system clearly has an employment training function, and if we are to experience huge cuts in our regular funding which translates also to large cuts in administrative funding, we are going to be focused primarily on our—I mean existing pro-

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grams as opposed to making that extra effort to go out and coordinate new or different programs without it.

Mr. MARTINEZ. Mr. Atkins.

Mr. ATKINS. Let me first thank all the panel for being here. I think through your testimony you have shown us some of the reason that Massachusetts' programs have been so successful in terms of your ability to tailor your programs to different geographical situations, different demographic situations, and also the ability to integrate higher education and secondary education with job training.

I would just like to suggest that I will be happy to work with the chairman, not just on the sub-State allocation which is a particular problem for us here, but also in the larger question of making sure that we have some kind of predictability in our funding and an ability for the State and the Federal governments to integrate their funding so that you are not adversely affected by Federal budget reductions.

And I think you put your finger on probably the biggest threat we have to our programs in Massachusetts, and that is being forced to spend all your time figuring out how you are going to lay off half of a staff that has been enormously successful in a program that has been successful at a time of unprecedented prosperity in the State.

I certainly want to work with Kay Stratton and others at the Federal level to try to give you the predictability you need to run the programs.

Mr. MARTINEZ. Thank you, Mr. Atkins.

I, certainly, appreciate your problem. You have people who are dedicated and have, understandably, a fear of losing them for good due to unpredictable funding.

Mr. SCHWENGER. Could I add a further response? It goes beyond just laying off somebody; it goes into restructuring your organization. It is not a question of two of these and three of these people. It is who is going to do what.

Mr. MARTINEZ. I agree. The key to the whole program of education is having the end result be good people who are trained properly.

Thank you.

Our next panel is Ferdinand Colloredo Mansfeld, Donald Wrentmore, and Clement Izzi. We will start with Mr. Mansfeld.

STATEMENT OF FERDINAND COLLOREDO MANSFELD, CHIEF EXECUTIVE OFFICER, CABOT, CABOT & FORBES

Mr. MANSFELD. I don't have a prepared statement. I am from the private sector, and I am chairman of Cabot, Cabot & Forbes; vice-chairman of the Boston Private Industry Council; and on the board of the National Alliance of Business; and chairman of region 1 of the NAB which includes New England.

I have been involved for a number of years with some community-based training organizations in the Boston area.

Basically, I am here to attest to businessmen's support of the JTPA effort, and I think in Boston, particularly, significant progress has been made in the last 4 to 5 years with the founding

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of the Private Industry Council in developing better and, in effect, useful working relationships between government and community-based training organizations in the private sector.

Our concern is going forward. I have heard some of the previous panelists testify with respect to the concern over predictability of funding.

I think I would second their concerns, because here in the Boston Private Industry Council we are embarking on a program called Boston Works, where we put together $2 million funding which includes a combination of $500,000 private sector funds, $500,000 of city funds, and $500,000 of charitable foundation gifts, and $500,000 of State funds.

And the purpose of those funding commitments is, essentially, to double the training capacity in the Boston area of the training system for the underemployed and unemployed people.

This is, I think, a significant partnership effort, but we have some concerns coming up with respect to the funding—our regular base funding coming through the substate formula.

Earlier today, you have heard testimony in that area. That is of greatest concern to the Boston PIC.

I would like to respond to questions you might have about what we are doing in Boston or that you may wish to direct to those of us from the business sector that are involved in these efforts.

Mr. MARTINEZ. Thank you, Mr. Mansfeld. I will have some specific questions that I would like to ask you later with regard to the Private Industry Councils.

Mr. MARTINEZ. Our next panelist is Mr. Wrentmore.

STATEMENT OF DONALD WRENTMORE, PERSONNEL DIRECTOR, I.T.T. SEMICONDUCTOR

Mr. WRENTMORE. Thank you, Chairman Martinez and Congressman Atkins, for this opportunity to provide testimony concerning the Job Training Partnership Act.

I wish to inform you that my comments will be made from a businessman's perspective.

I have for a number of years been involved with regional job training programs and JTPA, having served as a member of the Lower Merrimack Valley Private Industry Council [LMVPIC] for the past 6 years.

During that time, I spent 3 years as a member of the LMVPIC's Planning and Evaluation Committee, serving as its chairperson for 1 year. Additionally, I am now serving my second consecutive year as president for the full LMVPIC.

To begin my comments, I would like to provide you with a brief summary of ITT/SC's [Lawrence, MA] experience with JTPA. ITT has hired many excellent employees who have come to us through JTPA-sponsored training programs. We have found the majority of these people to be enthusiastic and reliable employees. These are people who have taken the initiative to obtain training and many have now progressed to better positions.

The majority of these people had multiple barriers to employment, including limited English abilities, limited education, family

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concerns, no prior manufacturing experience or work experience of any kind.

The JTPA Program, however, provided these people with an opportunity to get their foot in the door where the door had not previously been ajar.

And now, because of JTPA, these people have become self-reliant participants in our economic system instead of being a drain on our overtaxed welfare system. They have become contributors, and we are proud to have played a role.

The important point is that this would not have happened under prior programs which did not work and in which private industry had little or no confidence.

Locally, JTPA is successful because business people have taken full advantage of the opportunity to plan and develop a job training system with programs that really work.

I am but one private industry representative on our Private Industry Council which boasts a membership of 24 business people. These 24 are but a small fraction of the 370 businesses that have hired an estimated 1,100 trainees since the inception of JTPA.

And, to be quite candid, none of us from the larger nationally known corporations to the small entrepreneurs would be involved if our standards for quality and efficiency were not met.

The degree of business involvement includes planning and policy development, creation of a business education collaborative, operation of employer specific customized training, hiring of OJT trainees, utilization of the Targeted Jobs Tax Credit Program, and, of course, hiring of training program graduates.

The sum total of all this and, perhaps, the most important aspect is that the Federal Government, by creating private industry councils, has provided business with a forum or a vehicle to impact upon public policy related to job training, education, and human resource development.

Although our local experience with JTPA has been most positive, I do believe improvements can be made. My recommendations for improvements fall into four general areas.

First, I support strongly efforts to consolidate and streamline policy, planning and the administrative structure at the Federal level.

In addition, I support establishment of incentives to encourage the consolidation of employment and training systems at the State level.

I see this as particularly desirable in this time of diminishing resources in order that the funds available be maximized through economies of scale.

Additionally, business needs to identify with one entity as the local employment and training institution.

Finally, if you want private industry councils to develop truly comprehensive employment and training strategies, consolidation must occur.

Second, I support any effort that would expand the flexibility of the act to allow for even greater business participation. One consistent complaint voiced from business people is that certain aspects of the law prohibit or limit more active participation.

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An example of where the law could be changed to achieve greater business participation is allowing for a greater percentage of the funds to be utilized for upgrading of working individuals who are not economically disadvantaged. Of course, requirements where economically disadvantaged individuals would back-fill the vacated position could be included.

Another example would be the lifting of the restrictive limitation of hours now imposed on tryout employment activities. Many businesses have indicated that the limit restricting tryout participation to 20 hours per week and 250 hours in total prohibits them from participating.

A final, and perhaps, most radical example, would be to allow JTPA funds to be utilized for subsidized employment in the private sector, particularly for youth.

It is my belief that businesses would participate vigorously should this be allowed and that the array of occupations to which individuals could be exposed would multiply dramatically.

Currently, as you are aware, only public sector subsidized employment is allowed. Consequently, business cannot participate, thus limiting the variety of occupations.

Third, I would support any efforts that would encourage a closer coordination between JTPA, business, and education to deal more effectively with the issue of youth employment and basic skill development.

I believe that business, through Private Industry Councils, can assist education in developing strategies that insure that education is relevant to the modern workplace.

One approach to the high school dropout problem could be an earn-and-learn program which would meet the immediate economic needs of dropouts while addressing longer-term educational and career needs.

I envision a co-op program in which dropouts work and study year round with emphasis on basic educational competencies and job sharing of private sector worksites with a percentage of their job wage reimbursed to the employer.

If Private Industry Councils had the local option to utilize JTPA title IIB money to provide year-round youth services, particularly remedial activities, then innovative and more effective programs for youth could be developed.

Finally, I would strongly advocate that funding for JTPA, in that it helps reduce other costs such as welfare and unemployment benefits, should not be reduced.

I know that for next year the Lower Merrimack Valley Private Industry Council is facing a reduction in JTPA resources of 30 percent to 35 percent. This, obviously, will impact dramatically upon our ability to provide business with trained personnel, not to mention the impact that it will have upon the trainees that we serve.

A quick glance at the attached data documents that locally JTPA resources are needed and are being utilized to serve people who face severe employment barriers.

We have created a program that works. Let's not cripple it.

In closing, I would like to say that I know JTPA is working. It is working because it is a business oriented program that is devoid of

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politics, as our local elected officials have placed unqualified confidence in the Private Industry Council.

Mr. Chairman and members of this committee, I thank you again for the opportunity to testify.

STATEMENT OF CLEMENT IZZI, PRESIDENT, IDEAL TAPE CO.

Mr. MARTINEZ. Thank you, Mr. Wrentmore.

Mr. Izzi.

Mr. IZZI. Mr. Chairman and Congressman Atkins, I am the president of Ideal Tape Co. here in Lowell, which is a small company, not in the high tech industry, directly making sticky tape, measure-sensitive tape. I am also chairman of the Greater Lowell Private Industry Council.

My remarks are primarily focused on the substate allocation and the current formula which is used to determine that.

As I have heard in testimony before me, just using the unemployment statistics certainly does not appear to be a progressive way of coming up with a formula for allocating the substate allocation. In the area of Lowell right now and the unemployment—the low unemployment level that we have, our company is finding that people walking in the door are not trained, are at the level of skills which does not allow us to start them out on a job course.

Second, we are finding tremendous competition among many of the companies in the area concerning good trained employees. There is a tremendous shortage of trained employees. I am not necessarily talking about skills training, because our company certainly can provide skills training to someone walking in the door, but I am talking about people who have had the orientation effort as to what it means to be a full-time employee of the company, to have to show up every day, to have to participate in the supervisory process and to contribute when they don't necessarily always agree with what is being asked of them.

In the past 2 years, our funding has been cut 43 percent in the previous year, and we are anticipating a 20-percent cut this year. We need to support the 90-percent hold harmless provision of the bill at the substate level in order to continue to provide service to these people who are harder to employ and to give them the training they need to be able to enter the work force. This is a time in Lowell to redouble our job training efforts and not to let the structure and the effective programs die, but rather to continue them for the future so that we can continue with the strong economy.

There are a number of companies we know who have considered the Lowell area for location and are concerned about the availability of good trained labor, and if we allow that to occur and we allow this structure to fall by the wayside, we will not have the people we need for the future to continue to grow.

I have heard a lot of comment it is easy for a job training program to be successful in an area which has been successful economically. It is also easy for an area that has been successful economically to fall into disrepair easily, and certainly we are sitting in an area today, Chairman Martinez, which suffered that some years ago. We don't want that to happen again, and certainly understanding the cuts that need to be made in the overall funding,

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we see the wisdom of not cutting back strictly on the employment figures but rather using the 90-percent formula hold harmless on a substate level.

Thank you.

[Prepared statement of Clement D. Izzi follows:]

PREPARED STATEMENT OF CLEMENT D. IZZI, PRESIDENT, IDEAL TAPE CO., CHAIRMAN, GREATER LOWELL PRIVATE INDUSTRY COUNCIL

Mr. Chairman, members of the sub-committee, ladies and gentlemen. My name is Clement Izzi. I am the President of Ideal Tape Company in Lowell, Massachusetts and Chairman of the Greater Lowell Private Industry Council. I want to thank the committee for the opportunity to testify here today.

I would first like to focus my comments on what has become a major concern of the Greater Lowell Private Industry Council in its role of providing policy guidance and oversight under the Job Training Partnership Act.

Specifically: 1. The formula used for the distribution of funds, and 2. The lack of protection for a local program from receiving severe funding cuts from one year to another.

The formula to distribute Title II Part A and Part B funds under the JTPA consists of three parts, each distributing one-third of the funds. The three parts of the formula are based on 1) the number of unemployed individuals residing in areas of substantial unemployment (an area of substantial unemployment is an area with an average annual unemployment rate of 6.5 percent or greater), 2) the excess number of unemployed over a rate of 4.5 percent and 3) the number of economically disadvantaged eligible individuals.

As you can see, the two thirds of the funding formula is based on unemployment data and I believe that emphasis is unfair for two reasons. The first reason is that a large number of eligible participants may include individuals who are not recorded in unemployment statistics. The Act states that to be eligible, an individual must be economically disadvantaged and mandates that AFDC recipients, youth and school dropouts be targeted for services; however, many AFDC recipients, youth, discouraged workers, displaced homemakers, offenders and handicapped individuals are not included in unemployment or even in labor force statistics. This emphasis on unemployment also ignores the large number of eligible individuals currently working in low paying and often part-time jobs that are in need of JTPA services to overcome barriers to successful and more productive employment.

Secondly, a major conflict between the Act's intent and its funding formula has to do with the fact that the formula results in a high level of funding in times of high unemployment and a low level of funding in times of low unemployment. Dealing with the problems of the long-term unemployed mandates, even in a so called "full employment" economy, a more intense approach, requiring an increase rather than a decrease in funding support. Breaking this pattern of long term of situational unemployment/underemployment will never be accomplished when necessary resources are tied so disproportionally to unemployment figures.

In regard to my second concern for more stable funding base from year to year, Section 201 of the Act ensures that each state will receive at least ninety percent (90 percent) of its previous year's allotment. That protection for states, however, was not extended to cover sub-state allocations to local SDA's. The Lowell SDA suffered a forty three percent (43 percent) reduction in funds from Program Year 1984 to Program Year 1985 and it is projected that from Program 1985 to Program 1986 the out will be at least another 20 percent. I believe the intent of Congress was to protect the entire JTPA employment and training system by building in a ninety percent (90 percent) hold harmless clause that would regulate distribution of funds not only at the state level but at the sub-state level as well. You can imagine the PIC's concerns regarding dismantling an extremely effective system only to have to rebuild it if the economy changes in the future.

I believe that in the two and one half years of JTPA, the business/government partnership in Lowell has been successful in establishing programs that prepare youth and unskilled adults for entry into the labor force. However, there still exists a need to expand the labor market by building a skilled work force and providing direct assistance to business and industry in creating or filling new job openings. My personal experience as a businessman has shown that this time of low unemployment often brings applicants who are at the lowest skill level, poorly oriented to a full time work atmosphere, and most typically in need of training assistance.

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We see competition in the greater Lowell area for quality workers and many companies are experiencing high turnover. This is a time to redouble our job training and orientation efforts, not cut back based on an outdated approach to funding. Thank you.

Mr. MARTINEZ. Thank you, Mr. Izzi. Business cooperation is a particularly important aspect of this program. Years ago, when I was in business in San Diego, there was a program created by business people in the area, members from each of the area chambers of commerce. They had the same concern that you alluded to earlier, Mr. Wrentmore, and you too, Mr. Izzi, about work habits. Not skills training necessarily, but work habit training, and attitude training.

They were very aware that many young people graduating from high school did not have the ability to come in and fill out a work application properly, didn't dress properly, or didn't have the slightest notion of what an employer looks for. This is one of the basic kinds of training that private industry has been able to contribute to this partnership.

I mentioned earlier one of the programs that has a tremendous success rate, in San Jose. They have feeder classes, where they do a lot of this type of basic preparation. Also, because of private industry, they have been able to arrange a program, for example, that, combines older dislocated workers having good work habits with younger people that have no work experience. The association helped these young people realize that you don't stay home just because you have the sniffles. They learned that work is a responsibility, that an employer depends on you, and that one person missing from a crew can create extra work for the rest.

People such as yourself are a very important aspect of this whole program. We have heard from private industry council members that there is a definite need for this kind of program. It is kind of gratifying to us, because most of those business people, are Republicans, yet it is a Republican administration that is hell bent on destroying the program. We are asking them to testify at these hearings, and are now getting a good response to that request. People are coming forward to testify, but we need them to go one step further and make their feelings known to their Congress people, to people of their own party, to the administration, and to the Secretary of Labor, who is a great champion of this program, In fact, I have the greatest respect for Mr. Brock and hope that he can help change some of the attitudes of the administration.

I was bracketing aspects of your testimony, Mr. Wrentmore, that I could plagiarize, and found myself bracketing almost everything. Your basic statement is very important, and it really points out the need for this partnership and its positive aspects.

So I would like to ask each of you to think about how important this program is to you. Are you willing to tell the people that need to know that this isn't a welfare program, that it is getting people off the welfare rolls and helping them become productive human beings?

Mr. MANSFELD. I have spent some time with Secretary Brock on these very issues, and the National Alliance of Business clearly is committed to supporting JTPA and the funding.

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I do believe, as you have pointed out, Brock's rival at the Department of Labor is a very positive hope for the JTPA effort and the turning around and rethinking by the administration about the whole topic.

I think another important area is for more and more business enterprises to be aware of the success stories, because still to a significant portion of the business community I fear that the JTPA program and other training programs are still this alphabet soup public sector stuff that they don't understand; where, on closer scrutiny in the last 3 years, progress has started to be made.

I think that an area where business can start, particularly in some of the urban centers and getting involved in the problem and in working with youth, is if we look at our experience in Boston. There were two programs that the Private Industry Council undertook: No. 1, a program with private sector employers starting with 120 kids in 1980, and this past summer it was 2,300 kids employed for 6- to 8-week periods, the jobs worked out by private employers.

For many kids, it was their first entry into the work force, and I think it has become very successful in the public school system. The only criteria for entry by the school kids in the summer jobs programs is attendance at schools. It is not a function of grades; it is just high attendance.

There is a second program called the Boston Compact, which is a commitment by private companies in the Boston area to employ graduates of the Boston public school system and provide that kids graduate in satisfactory standing from the school system. This Boston Compact has over 300 companies now employing over 600 new graduates each year.

Those two programs, the summer jobs and the Compact for hiring permanent graduates I think is having a noticeable impact on the public school system, on the attitude of the kids and the dropout rate in the school system, and it is a way that business, particularly starting with the summer job program, can see the success and buy into it and come to deal with the issues of the under- and unemployed in a positive way and see results, because it becomes a self-feeding, positive program and flows along into the Compact permanent hiring. And there is a greater awareness among Boston area employers, if you will, of a social compact to hire from the schools, and I think that is definitely having a positive impact.

Mr. MARTINEZ. I think you are absolutely right.

One of the things that we need to look at is the high dropout rate, especially among Hispanics and blacks.

In my district, the Hispanic dropout rate is astronomical. Coca-Cola has initiated two programs based on earn and learn; one in Rozo High School, the other in Garten High School. These schools have the first and second highest dropout rate in southern California.

One of the requirements for getting a job is that they remain in school and get their high school diploma. After the kids are interviewed they often realize how much they missed and how much they need schooling to retain a job or have upward mobility.

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I would like to get Mr. Izzi's comment, because he seems to have a real sense of how important it is to the business community to have properly trained people to employ.

Mr. IZZI. I think one of the things that has happened, being a member of the Private Industry Council for 2½ years, it has taken quite a lot of time to get through the legislation and regulation aspects of it to see how it can best be used in the area—supporting Mr. Wrentmore's comments that we need to look at more creative programs and different ways of approaching the problems that do exist.

One of the things that I have been very much in support of is more interaction among the PIC's and more feeding of information back and forth. I have been in the same business for 24 years, and no matter what problem comes up I can reach back for a solution that came from my experience of that 24 years and solve the problem. Sometimes that is much harder to do as a member of a Private Industry Council, because you don't have the full breadth of experience and wealth of information that might be available.

Perhaps a program in your district, Mr. Chairman, would be very useful here and has been successful.

I think one of the other things I might suggest is that if there could be more feeding of information back and forth. I think the State has tried to do it with the PIC's in Massachusetts, and certainly there have been very successful programs in other parts of the country, and they might be useful to us and we might be able to select from those and be more effective in the utilization of funds in local.

Mr. MARTINEZ. I have one last observation that I would like each of you to comment on briefly. We need to know what you think is the best approach to saving this program, because I am sure that when the President's budget is submitted there will be a request to reduce or eliminate funding for the program.

Mr. Mansfeld.

Mr. MANSFELD. If you could tell me the outcome of the budget process, Gramm-Rudman versus alternatives, I think as I understand the issue at least for this immediate—the substate allocation formula for 1 year, if we can get a modification to that, we have another year with which to deal with perhaps an altered future.

With respect to absolute cuts, dealing with the overall budget problem, I do believe that JTPA is worthy of support. But I think all programs need to bear some burden, hopefully equitably across the whole spectrum, not just a meat ax on certain programs.

But I think that, as was pointed out by fellow panelists here, the run on investment on the JTPA money is very, very high. If you invest $2,500, as our Boston costs typically, to put somebody through the programs and into jobs, you get that back in taxes in about a year and a half. That is a pretty high payoff.

If there is any criteria in congressional budgeting for return on investment in the social area, I would suggest this is a pretty good return.

Mr. WRENTMORE. I certainly concur for that.

As for the process, I don't know how much more you can do. You could have a series of meetings like this and get testimony.

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Hopefully, what we are saying here will have some major impact on people. I happen to be one of those people you referred to previously, and I believe—you asked whether we would stand up and tell our story. And I tell you honestly that I would, because I have seen and talked to people from the process and just the change in their self-esteem aside from anything else.

But getting on to the tax rolls instead of taking from the tax rolls is a major contribution. I don't know how we could tell that story more or better than we are doing in this meeting this morning. Hopefully, it will spread the word.

And, as Mr. Mansfeld said, there are many of our colleagues still locally, right next door to our companies, that haven't gotten that message.

One of the problems that we wrestle with almost on a daily concern in our PIC meetings is how we can spread the word to those people that are not yet believers who have not yet seen the reality of the situation. We need your help, I guess.

Mr. IZZI. I think the comment on return on investment is an interesting one, because many businessmen understand the value of return on investment, and this program does have an excellent return in our experience.

Additionally, I was very impressed—we see Mr. Reagan and Tip O'Neill engaging in anecdotal solutions to the problems that face us last week. I was very impressed because we invite each service provider to give a talk at each PIC breakfast meeting.

A couple of times ago, we had a man come who heads up the program for training ex-offenders. In going through the anecdotes of success stories within that program, he would make a believer of myself because often statistics can say anything you want them to say, but when you start to look at a real story and success rates—and there are many, many of those stories that I am sure any of us can relate and look at the people and the self-esteem and the contribution to society and the contribution to themselves they have been able to achieve—sometimes an anecdote touches a place that statistics have a hard time touching.

Mr. MARTINEZ. Thank you.

Mr. Atkins.

Mr. ATKINS. Thank you.

It seems both from your testimony and everything we have heard today—and not only in Massachusetts but throughout the country—that JTPA is truly one of the great success stories of government. It has been successful in terms of return on investment. People have varying ratios for that, but virtually everything I hear is under 2 years.

The return on investment has been successful, anecdotally, in terms of the ways it has changed people's lives, and it has been particularly successful, I think, for the first time in our job training history, at involving the private sector and business leadership in taking some responsibility for job training.

I would like to focus on something Kay Stratton said earlier—that business really has not viewed job training as part of its responsibility in a way that, say, they do the physical infrastructure, roads and bridges, or increasingly as they do education.

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I am just curious as to your views: (a) Whether that is true, whether job training really should be a part of business responsibility; and (b) if that is the case, whether business ought to be asked to bear some part of that cost, either specifically through some kind of charge, even though it wouldn't cover the entire cost of the service for successful placements through JTPA or similar programs. More generically, say, could business leaders support a surcharge on the unemployment comp fund or some similar mechanism.

Mr. MANSFELD. With respect to the withdrawal of responsibility of business job training, I didn't hear exactly Kay Stratton's comments because I wasn't here. I have a high regard for her——

Mr. ATKINS. I don't want to get her into any trouble.

Mr. MANSFELD. I have high regard for her, but I point out that a lot of major corporations in effect do a lot of training. They are in the training business very significantly, whether they are financial institutions, insurance companies, manufacturing companies, IBM, Hancock, and so on. They run very, very good training programs.

Mr. ATKINS. That is fair enough. I think we are focusing more on entry level training.

Mr. MANSFELD. I think there are two parts to the equation here. One, employers in the private sector are more adept at vocational training or skill training related to the activities of their businesses or enterprises. And the problem we have to deal with is the prevocational, whether it is attitudinal training, basic education, a whole series of things to get people up to the beginning point of going into a vocational training program and looking at the topic of responsibility of business towards education.

I think it is the responsibility of business to be supportive, but education itself I think is a public sector responsibility. Businesses can have input as to the structure of the vocational courses, beginning requirements, and sort of help lay out the targets to which you are trying to get your teaching programs. But the teaching programs and the support thereof I think are public sector responsibilities, the educational system's responsibility.

Mr. ATKINS. The Boston Compact, is that something that can be replicated in other parts of this State and other parts of this country? And what kind of role should the Federal Government have in stimulating that kind of activity?

Mr. MANSFELD. The National Alliance of Business in region 1 here in our Boston-based office is in the process at the present time of trying to put together a program to be able to take both the concept of the summer jobs program and the Compact, the high school graduate hiring program, to not just other SDA's or PIC's in Massachusetts, but on a selected basis over the next couple of years across the country.

The NAB is in the process of trying to seek some special funding to underwrite this effort. I don't know exactly where they are in the process. I am going to a meeting next week to try to find out about it. But a concept of the NAB was to support the Private Industry Councils and the various SDA's—can we take programs that do work. I think that was a point that my colleagues made.

If we knew what your southern California programs were, there might be some applicable, and fairly promptly. We are trying to do

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that. But we are in the early stages of that and we are trying to design, if you will, the software, the package on how to present this and take this across the country.

I think there is a request for $800,000 funding over a 3-year period to do this.

Mr. WRENTMORE. If you are asking me would business support higher taxes to do the educational system training, the answer is no.

Again, as Mr. Mansfeld said, many industries provide much, much training, OJT training, people coming in the doors, if they have those at least prerequisite skills to get in the door, but that function becomes very touchy.

Is it business' concern to provide that initial training, or is it the educational system's? My belief is that is the educational system's responsibility to provide that early training. But, at the same time, business also cooperates in providing our PIC locally as an industry education collaborative, which is working very well with Lawrence High School and other schools in the area to provide that kind of training.

It can work. We don't want to get into having to do it. Industry does not want to get into having to provide that kind of training. But we can certainly work with the schools in providing it.

Mr. ATKINS. You have had at ITT how many successful placements?

Mr. WRENTMORE. Just guessing, but probably over the last 2 or 3 or 4 years somewhere in the neighborhood of 50, 60, 75 people have come through their programs.

Mr. ATKINS. How about paying a fee that wouldn't cover the entire cost but which could be used as a source of income for the PIC based on a successful placement?

Mr. WRENTMORE. What we are doing is we are cooperating with providing those people with the basics to get in the door so they can become productive society members, and we are doing our role by providing that opportunity beyond that, and the return is coming back to the economic system because those people are employed and they are making their contribution to the economic system.

We are making our contribution that way. We are providing them much more training once they get in the door that allows them to continue to progress, upward mobility, if you will.

Mr. IZZI. My comments might be a little different. I would support additional moneys to provide job training if the business community would have some of the freedom in dispensing that money.

I think the thing that everybody is concerned about is that the money is going to a place that becomes so restrictive in the way it can be used or how it can be used that it really doesn't necessarily benefit them in kind.

One of the things that is so evident when you get into the Private Industry Councils and job training is that it is such a part of our infrastructure. Day care, the most crucial element, you can train someone; but if you can't find a place for that person to keep their child while going to work, you are wasting time training them. So, day care is an important part of the process.

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Transportation—an example in this area, the local transit—and I am not immediately up to date—the local transit authority system ends in Bill Ricket. The Metropolitan Transit Authority doesn't pick up for a mile away from where local ends, so that eliminates job opportunities for people who depend on public transportation to go outside the immediate local area to find that transportation.

In addition, we often have opportunities for second and third shift work, better utilization of a facility when you do have substantial business to take care of. But the public transportation system doesn't work during the night. It only works up to about 10 o'clock. You are trying to get people into an entry level position and give them an opportunity for the future, but the person can't get there.

The weather outside is cold. It is difficult in the wintertime. You are asking people to make a tremendous sacrifice to come to work. Whereas, during the day public transportation is available.

Going back to the question of would the business community support, speaking for myself I would if, in fact, some of these other infrastructure problems could be addressed at the same time so the money would be well spent and could be utilized. I believe it has been up to now, but I think at this point we have to do much more creative things to make this money effective for the future.

Mr. ATKINS. I certainly would second that. I guess there is a certain amount of frustration on both of our parts, because I think you can see for government that this kind of investment returns significant benefits back just in terms of the State and Federal tax revenues.

On the other hand, it returns significant investments back to businesses, not only in terms of employee productivity but also in terms of lower unemployment insurance charges that you have against your businesses. And there has to be, I think, a meeting halfway someplace because we, particularly at the Federal level, are extremely restricted in what we can afford. And even the most aggressive person in support of job training programs would be hard-pressed to do more than try to get programs held harmless.

What I fear is that the Federal Government—everybody has assumed that it is a Federal responsibility and the Federal Government is going to take care of it.

The States—Massachusetts is somewhat of an exception—but States are very reluctant to make the investment because they feel as soon as they do, the Feds will withdraw completely. Businesses are reluctant because they feel as soon as I agree to something, prices will go up and the Government will take control of it in some way.

Somehow, we have to come to a realization that: (a) The Federal Government will be very limited in what it can do in the future; and (b) that other people have to be a part of the financing of those programs, and that increased involvement makes sense from the viewpoint of the State and local government, and also the private sector.

I thank all of you for your testimony today.

The PIC story in Massachusetts, both in terms of the quality and caliber of people we have been able to get on to our PIC's, and also the performance of the PIC's, is a national model. And by your vol-

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unteering your time, many of you as Republican businessmen, you make us Democratic policymakers look good, and we thank you for that.

Mr. MARTINEZ. I would be remiss if I did not mention, in lieu of the discussion that just took place, some of the experiences I have had in travelling to training centers in different parts of the country.

One of the things I have seen is a deep commitment by industry and business to provide assistance in any way they can. In the case of the job training center in San Jose, I saw several pieces of equipment that had been donated by private industry. There was one piece of machinery in the sheet metal training portion of the center that cost in excess of $100,000. There were pieces of equipment in the machine shop that were also quite expensive, such as lathes, drills, planers and other things.

Business and industry has also provided, all over the country, people with expertise that go into job training centers as instructors. They donate that time, and in a way, they are providing moneys. If somewhere along the line there are changes in the unemployment law to allow surpluses to go to this kind of training, it is partly money being paid for the insurance of training future generations.

That is already being done in public education. All of us pay taxes to the public education system, whether we use it or not. We may use it to better ourselves and in turn pay taxes for its support, because it is inherently a part of our system and essential to our freedom. We recognize that responsibility.

For many years private industry has been dissatisfied with the product the educational system is turning out. But they have never really had a chance for input. Through this system, they have that chance, especially in vocational training. It should be extended. We should never close our minds to education and progress for our citizens.

I have seen people that are involved in the Private Industry Councils encourage others to share their success, and we are telling people about the benefits of these programs.

I was in business for many years, and I know how easy it is to become centered in your business world and the business associations that you have. Sometimes you lose sight of what is happening outside, but sometimes through those organizations your mind is opened to new and essential concepts.

I have seen a lot of support. I think you are right; there is an intricate balance in that the Federal Government does have, I believe, a more essential role in education and training than is now accepted. Some believe it should be the State's responsibility.

I think there is a need for Federal support there, but we have to remember that just as Federal Government has been reluctant to support vocational training and education, private industry may be reluctant and wonder if they would be creating a burden for themselves. I don't think it is total reluctance, but more a case of being overly cautious.

Hopefully in the next few years we can develop a system where Federal and local governments and the business community will work together to provide what our country needs.

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I appreciate your taking time from your busy schedules to be here and share your feelings about JTPA. I know such information will help change the minds of some of the people in Congress today, and even in the administration, so we can get total support for this program.

I thank you all, and thank Congressman Atkins for the hospitality that made my evening an enjoyable one.

This meeting is adjourned.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, subject to the call of the Chair.]

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